SEPTEMBER 1961

BANTER

IOURNAL OF THE AMERICAN PANKERS ASSOCIATION

Geofinance U.S.A. page



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How To Unlock A "Locked In" Situation

Have you ever had a borrower who looked perfectly good to you for the amount you were lending but whose needs were such that he was becoming overly dependent on your continuing loan?

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In This Issue

Geofinance - Banking's New Dimension

WE RESUME our AMERICAN Story this month with a look at the impact of transportation and communication on banking. The decentralization of business and living will, as it accelerates, further affect the pattern of banking service and operations, and our Story—in this and coming instalments—will endeavor to spotlight coming changes in bank-to-bank and bank-to-customer relationships. The author is BANKING's editor.

In case you're wondering about "Geofinance"—well, maybe this will help: "New conditions often call for new words and definitions. Geofinance might describe what is happening. This may be a new term, but its meaning is old—an amalgam of movement and money, plus the new dimensional thinking that is necessary today to achieve economic growth."

Incidentally, Graham Hunter's lively cover is in the spirit of the Story.

Fringe Benefits

A LOOK at what the state associations are doing about pension and insurance plans developed into the informative article by John W. Riday, new member of BANKING's staff. The associations, says the article, "are becoming more and more active in promoting fringe benefit programs in their member banks, if not by actually devising and offering detailed plans, then by urging individual banks to set up programs of their own." (Page 49.)

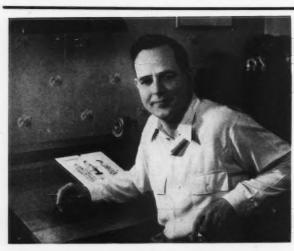
The On-the-Job Services Triangle

WILLIAM E. SINGLETARY, public relations consultant to banks, makes a constructive report on the new way of marketing bank services, the plan centering on the triangle of a company, its employees, and its bank. The popular name, as you know, is on-the-job service. (Page 62.)

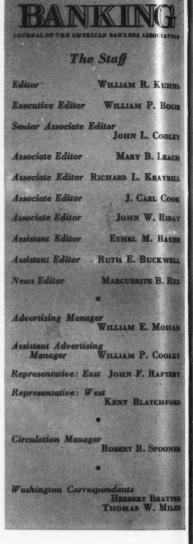
Back to School . . . and School Relations

 $N^{\rm ow}$ that school's "in" again, how are your school relations? We ask that question only to call your attention to a couple of September issue stories dealing with them.

One is a picture piece on a Trust Company of Georgia adventure with some second graders. (Page 69.) The other story recounts the Chemical Bank New York Trust Company's rewarding experience with a background banking course for school teachers, supplemented with visits to the bank by youngsters. Sanford Kleiner is our reporter. (Page 75.)



Here's cover artist Graham Hunter in his studio at West Orange, N.J.



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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

COMPLETE - AUTHENTIC

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BANKING'S Investment Forum

A Summing Up

Withholding on Dividends and Interest

The ancient game of "closing tax loopholes" is now underway in Washington with the Administration being accused of creating new rules as it goes along

The tentative adoption by the House Ways and Means Committee of the President's withholding proposal on dividends and interest was a bitter disappointment to opponents of the measure, who had been considerably encouraged earlier when the committee killed that part of the proposal repealing dividend credit.

There had been enough uncertainty surrounding the outcome of the hearings that both the pros and the cons began regrouping their forces in case the fight was carried to the floor of the Congress. However, once the committee's decision was announced, enough additions had been made to the proposal that opponents of the bill (which includes nearly everyone outside the Administration) pressed hard for the committee to reopen hearings.

The major insertion provides for a rather awkward exemption system to be set up for individuals who are not, or think they're not, subject to taxation. These individuals can file an exemption certificate with their bank, or other sources of income. This system will not apply to coupon bonds, however, but, according to the committee, "there is a provision for quick refund procedure in the bill."

It appears that the Administration's major argument for new legislation in this area is that it needs the J. CARL COOK

money in a hurry. On the other hand, some of the nation's outstanding citizens have presented some eloquent arguments against it.

In answer to the Administration's constant charge of "loophole," which is repeated mostly for public consumption, G. Keith Funston, president of the New York Stock Exchange and a leader in the fight against the proposal, has repeatedly stated: "The current relief, modest as it is, is no 'loophole' but rather a 'keyhole' which Congress fashioned deliberately so that America's millions of shareowners could glimpse some relief from discriminatory taxation."

No Explanation

He has charged in return that "... the Administration has given no explanation of how the double taxation of dividend income could possibly be justified."

Thus, Mr. Funston has stated the crux of the problem, and since he represents approximately 15,000,000 stockowners, Congress has listened to him.

From a review of Mr. Funston's remarks made before, during, and after the hearings, it is obvious that stockowners are far more concerned with the fight against unfair taxation than they are about the withholding of

taxes, and they have unceasingly attacked the issue on that basis.

In his testimony before the House Ways and Means Committee, Mr. Funston pounded away on the fact that the tax is unfair to stockowners and detrimental to the economy. "Double taxation occurs because corporate earnings are subject, first, to a corporate income tax of up to 52%. Then, the remaining dollars distributed as dividends are taxed again at personal income tax rates. Such treatment is not inflicted on wages, interest, rents, or any other form of income." He added, "Dividends, thus, are the only form of personal income subject to two Federal income taxes."

Earnings Compared

To illustrate the point, if \$1,000 of earnings from wages is compared with the same amount from corporate profits, the non-shareowning tax-payer in the lowest tax brackets pays a basic 20% levy, or \$200, and nets \$800. The investor, on the other hand, finds that the \$1,000 has been reduced to \$411.20 after corporate and personal income taxes are paid.

In his closing testimony before the House committee, Mr. Funston said, "The non-theoretical, non-academic fact is that taxing dividend income twice is totally unfair in any tax bracket. And I would like to say once again, as strongly as I know how, the current exclusion and credit are not special benefits. They were designed to be, and they are, relief from the basic wrong of double taxation."

Of course, the double taxation issue is really a diverting tactic in the current debate, since even the most optimistic viewers of the legislative scene do not feel that Congress will consider removing the double tax. The main debate continues to be on the withholding proposal, and what it will cost in human and monetary terms, and if the results will justify the means.

Since the brunt of any withholding system on dividends and interest must be borne by the nation's bankers, The American Bankers Associa-



RECORD ATTENDANCE. Nearly 19,000 share owners attended the 1961 annual meeting of A. T. & T. This was the largest attendance ever recorded by any business. There was full and free discussion of many matters—evidence of democracy at work.

Now...2,000,000 Bell Telephone Share Owners

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nkia-NG The result is a communications service of increasing value to both the public and business and a vital element in national defense.

The owners of American Telephone and Telegraph Company stock are people in all walks of life, in every section of the country. A great many are small share owners. About 290,000 own fewer than ten shares. 42% are women. An additional 31% are joint accounts, generally in the names of husband and wife. More than 300,000 are telephone employees.

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share owners have put in the business, you could not possibly have the telephone service you enjoy today. Nor would there be work and wages for over 730,000 employees.

This year alone share owners have furnished \$961,000,000 in new capital by subscribing to A. T. & T. stock.

Given the opportunity to plan boldly for the future—and with earnings on a level that makes such progress possible—you can be sure that we will make further contributions to the growth and security of the nation.

BELL TELEPHONE SYSTEM



tion has been vitally concerned with these questions, and as the representative of 98% of the country's commercial banks, on May 26 it went before the House Ways and Means Committee to state the bankers' position.

Appearing before the committee were some outstanding bankers—G. Edward Cooper, senior vice-president of the Philadelphia National Bank, Robert K. Wilmouth, assistant vice-president, The First National Bank of Chicago, Robert L. Woodford, vice-president and trust officer, Delaware Trust Company of Wilmington, and Blaine H. Wiseman, president, Old Capital Bank and Trust Company, Corydon, Ind.

Contribute to Confusion

After assuring the committee that bankers want the Treasury to receive all the taxes that are due it. G. Edward Cooper, senior vice-president of the Philadelphia National Bank, stated that bankers feel "... no practical, workable withholding system has as yet been proposed which would not contribute to confusion and irritation on the part of ordinary taxpayers and which would not impose unreasonable hardships or inequities upon retired persons, widows, minors, charitable, educational, and other tax-exempt organizations, and foreign and local governments on the one hand, nor be unduly burdensome and costly to banks and other dividend and interest payers on the other."

Obviously, the cost of carrying out such an operation would be staggering, although considerable misunderstanding surrounds even the estimates. For example, Senator William Proxmire has stated that banks and businesses which withhold dividends and interest would ". . . simply send to the Treasury a check . . . at the cost of a 4-cent stamp. That is the entire cost." On the other hand, Senator John M. Butler of Maryland cited a study by the Mercantile Safe Deposit & Trust Company of Baltimore indicating that dividend and interest withholding would add more than \$70,000 a year to its costs.

The withholding system would increase the operating costs of banks not only because it would affect them with respect to interest paid their savings depositors and dividends paid their stockholders, but also, with respect to the dividends on the stock and the interest on obligations of



G. Keith Funston, president, New York
Stock Exchange

other corporations for which they act as paying agents, interest coupons on Government and corporate bonds which are presented to them for collection, redemption of U.S. Savings Bonds, and the receipt and distribution of income to trust beneficiaries, religious, charitable, and educational organizations for whom they act in a fiduciary or custodial capacity. "Thus," Mr. Cooper told the committee, "banks would become the major tax collector for the Treasury under any system imposing a withholding tax on dividends or interest at the source."

The proposed legislation would also leave the Government wide open to fraudulent claims. Dan T. Smith, a professor at the Harvard Graduate School of Business Administration and former Deputy Secretary of the

Treasury, believes that such a program would be an open invitation for illegal refunds. Since stockowners and those receiving interest will not get a receipt of the amount withheld and since a dividend or interest payer will only send a lump sum to the Treasury, how can the Government determine whose claims are valid? L. Chester May, treasurer of AT&T, has pointed out that "Anybody could . . . say he is a shareowner in this or that company, claim he doesn't have to pay taxes, and ask for a refund."

Alternative Offered

As an alternative to new legislation, The American Bankers Association has suggested the following methods to improve taxpayer compliance: (1) a continuation of the educational program undertaken two years ago by banks and other dividend and interest payers, which has had but one effective year to show results; (2) the inclusion of appropriate questions on tax returns to clarify and emphasize the tax obligations; (3) increased prosecution of persistent under-reporters and widespread publicity of violations; and (4) amnesty from criminal prosecution or civil penalties for those taxpayers who correct omissions in past returns.

The outcome is anyone's guess; however, the precedent set by such bills in the past provides a clue. Proposals for a withholding tax on interest or dividends have been made repeatedly, and, indeed, were passed by the House in 1942, 1950, and 1951. Only last year the Senate defeated such a bill.

The moment of truth for this one will probably come next year.

Dividends and Interest, Wages, and Salary Comparison of Withholding Tax on \$2,600

	Exemptions			
	1	2	3	4
Tax on \$2,600 of income Withheld from	\$348.00	\$228.00	\$108.00	0
wages and salaries	346.32	224.64	102.98	0
Withheld from interest and dividends	520.00	520.00	520.00	\$520.00
Underwithholding on wages and salaries	1.68	3.36	5.02	_
Overwithholding on interest and dividends	172.00	292.00	412.00	520.00

Note: Tax computed for an individual who uses the 10% standard deduction. Withholding amounts on wages computed on the basis of Treasury's "percentage method," which takes 18% of the residual of weekly wages less \$13 for each exemption. Source: First National Bank of New York.

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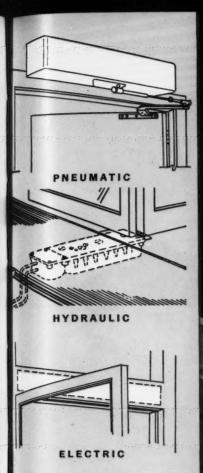
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BANKER-TO-BANKER SERVICE

How one bank's customer advanced into the electronics era

This is a true story, but because we always hold our relations with any customer in strictest confidence, certain minor but identifying details have been altered.

A good bank is often a company's ticket to success.

Consider the case of the small midwest radio parts manufacturer that grew into a multi-million dollar corporation. Early in the company's history, its owners developed a new process for manufacturing miniaturized radar system components.

But to expand meant more working capital than their local bank could legally lend to them. Meantime, a competitor was working around the clock to perfect the same process.

One of the officers at the local bank—a correspondent of ours—described the predicament of the company to our officer serving this territory. His quick appraisal of the company's potential resulted in an expanded line of credit being provided by

our correspondent and The First National Bank of Chicago. Almost immediately, a chain reaction began.

The small radio parts manufacturer grew by leaps and bounds. Additional personnel came from all over the country and settled there. New suppliers brought new wageearners. The local bank acquired many personal and commercial accounts and prospered in a flourishing community.

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GOVERNMENT BONDS

Refunding \$12.5-billion . . . \$4-Billion New Cash . . . Increase

in Federal Reserve Portfolio . . . Shift in Maturities . . . Market

Stagnant . . . Outlook

MURRAY OLYPHANT

The business indicators continue to forecast further improvement. With the certainty of heavily increasing expenditures by the Government, the rate of increase in business volume is expected to rise faster than had previously been anticipated.

Although productive capacity still remains high enough to lessen immediate inflationary effects, it is questionable how long this condition can be maintained.

The dangerous international situaation has altered the outlook materially. The budget for the current fiscal 1960-61 year will show at least a \$5-billion deficit, perhaps more. The prospect for 1961-62 is even worse. So far, Congress shows no disposition to increase income by raising taxes, but there are hints that these may come next year.

The stage certainly seems to be set for so large an increase in the demand for credit as almost to assure a decided increase in its cost, with a consequent decrease in the prices of all fixed income securities.

Refunding Maturities

July was a month of huge Treasury financing. Over \$18-billion of new issues were needed to refinance \$12.5billion of maturing issues and to provide about \$4-billion new cash.

The refunding of the four maturing issues was accomplished by the offer of $3\frac{1}{4}\%$ 15-month notes, $3\frac{3}{4}\%$ 3-year notes and $3\frac{7}{8}\%$ bonds due on May 15, 1968. The bonds were in addition to \$1,390,000,000 already outstanding and were offered at $99\frac{7}{8}$.

The result of the refunding can be briefly summarized:

Of the \$12,536,000,000 maturing issues, of which about \$7.5-billion were held publicly and about \$5-billion by the Federal Reserve and Treasury investment accounts, \$11,842,000,000 were exchanged, leaving \$694,000,000 to be paid off in cash.

Cash redemptions amounted to about $5\frac{1}{2}\%$ of the total maturities,

but were about 9.3% of the amount held by the public. This last was largely due to the unwillingness of the holders of the $2^34\%$ bonds 9/15/61 to make the exchange, as nearly 18% of such holders preferred to take cash on maturity.

The Treasury expressed satisfaction with the result of the refinancing, indicating that the amount of attrition was in line with expectations and that the issue of nearly \$750,000,000 of the 3% bonds was all that could be hoped for.

Banks Bought

Banks took larger amounts of the 3-year 3¾% notes and less of the 15-month 3¼% notes than had been anticipated. For the shorter notes the Federal Reserve banks were the largest takers.

In the market, the new 15-month $3\frac{1}{4}\%$ notes and the 3-year $3\frac{3}{4}\%$ notes were quoted at about 100 12/32 and 100 6/32 by August 3, but the $3\frac{1}{8}\%$ bonds had declined to about $\frac{1}{9}$

This financing clears the decks for the Treasury until late in October, when nearly \$7-billion $2\frac{1}{2}\%$ 11/15/61 must be refunded. In addition, more cash will be needed by the Treasury; estimates of the amount have run as high as over \$6-billion.

New Cash

The cash needs of the Treasury were provided in July by the issue of \$2-billion 1-year bills to replace a \$1.5-billion maturity and the sale on July 20 of \$3.5-billion TA bills.

The market for the issues on August 3 was about 2.82% and 2.66%, respectively. The TA bills naturally declined as the banks began to reduce their holdings in anticipation of

(CONTINUED ON PAGE 12)

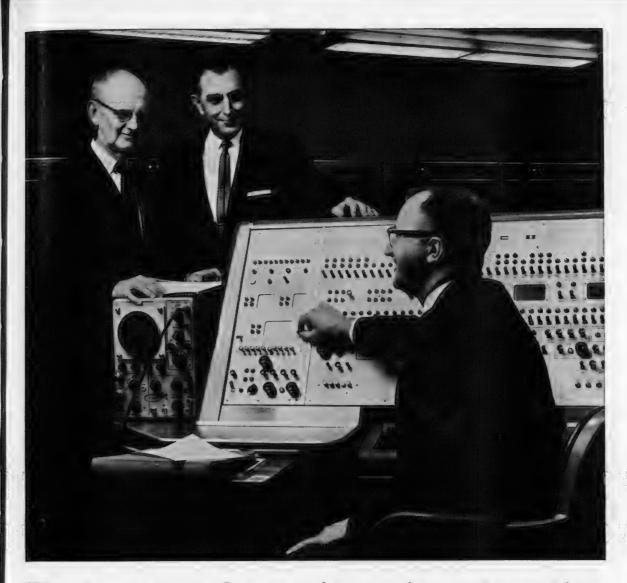
Outlook

The increasing needs of the Treasury—perhaps \$6- to \$7-billion by 1962—will be met largely by increasing the size of the Federal portfolio of Government securities and attempting to hold interest rates down. This, as well as the increased demand for bank loans, could certainly have dangerous inflationary effects.

Moreover, now that England has raised her bank rate, the short-term rate here cannot be kept down without again raising the threat of a severe drain on our stock of gold.

Investors, in general, are aware of the basic facts of the situation and are confining their purchases to the shortest term securities. The action of the market emphasizes this attitude.

It looks now as if a further shrinkage in the prices of all Government securities is a near certainty, and that this shrinkage might be greater than had previously been anticipated.



Their years of experience in automation can be invaluable to your bank. What the Harris has learned as a pioneer in this field can keep you ahead of the rising tide of paper work. This is one way we help our correspondents. How can we help you?

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THIS OCTOBER

and in the Mid-South

and Memphis

always . . . at your

service.



MEMPHIS, TENNESSEE Member Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 10)
Treasury withdrawals from tax and loan accounts.

There is no better indication of the character of the market and the opinion of investors than the continued preference for Treasury bills. Buyers are still unwilling to extend maturities, giving every evidence of the belief that the longer the maturity the more the risk of price decline.

Fed Increases Portfolio

No. 31, 33,

Between the end of June and August 2, the portfolio of Government bonds held by the Federal Reserve banks increased about \$785,000,000. Of this amount, \$645,000,000 was in the final week during which \$144,000,000 of repurchase agreements were reported.

Just why these purchases were made was a little hard to fathom. They seemed to be greater than required by any change in the money the Federal Reserve banks and exchanged for the 15-month 3¼% notes, there was quite a change in the maturity composition of the Federal Reserve portfolio.

Issues maturing in one year or less declined over \$4.6-billion, while the 1-to-5-year category rose nearly \$5.25-billion. The latter now composes over half of the total of slightly over \$27.5-billion. Maturities of one year or less were down to about one-third of the entire amount. The 5-to-10-year and over-10-year categories show relatively little change.

However, about \$5-billion will drop back to the 1-year-or-less category in about three months, when that maturity range will again make up more than half of the total.

Holdings of Treasury bills are likely to decrease as the banks sell their TA bills to offset further withdrawals by the Treasury from tax and loan accounts.

Treasury Issues

ew	Issue	Total	Taken by public	Fed. and Treas.
3/4 %	notes 11/15/62\$ notes 8/15/64\$ bonds 5/15/68\$	5,019-million	\$2,685-million \$3,338-million \$ 687-million	\$3,386-million \$1,600-million \$ 58-million
	Total\$		\$6,760-million	\$5,044-million

factors. The float declined \$395,000,-000 and circulation was up, but the positive reserves of the member banks were still over \$400,000,000. These had run up to over \$600,000,-000 in mid-month.

The purchases resulted in an increase in Federal Reserve credit of about \$219,000,000, which hardly seemed necessary, as there was no material increase in the demand for loans.

Apparently there was an increase in the amount of offerings in the market which the Open Market Committee tried to absorb, but was unable to prevent prices from declining.

The prices of all but the shorter maturities of Government issues would be much lower than they are had not the OMC held out a basket to take them. It is also estimated that Treasury investment accounts may have taken as much as \$500,000,000 in the past several months.

Largely due to the refinancing of \$12.5-billion of maturing issues, of which about \$5-billion was held by

It is quite clear that the banks are not buyers of any but the shorterterm Government issues.

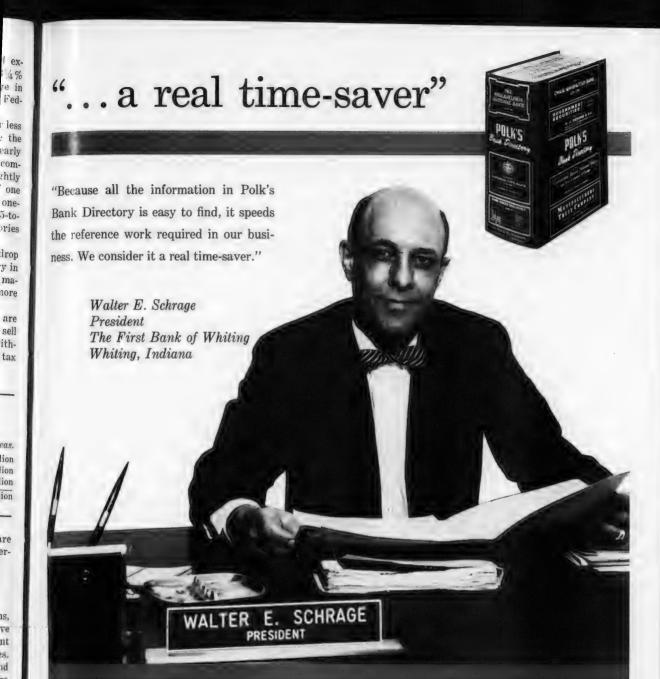
Market Stagnant During July

Once again, as in previous months, the market was extremely inactive during July, except for the constant heavy trading in early maturities.

Price changes were erratic and were changes in quotations more than the results of transactions. The changes in quotations meant little. Dealers were very reluctant to take on any but the short-term issues. If they did, where could they find a buyer?

To say that the only buyer of Treasury bonds was the Open Market Committee, comes pretty close to telling the market story.

By August 3, about a dozen of the longer-term bonds were selling to yield 4% or slightly more than that. Prices had declined enough to completely reverse the rally, which occurred from February to May.





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THE INVESTMENT MARKETS

H. EUGENE DICKHUTH =

Pollowing the firm stand taken by the United States in the East-West struggle, stock prices reached new highs. On the New York Stock Exchange some \$4-billion were added to the value of shares traded. Although there was some profit taking and a slight decline in some areas of the stock market following the Russian semi-blockade of West Berlin, the previous over-all upward movement of the market was dubbed by some Wall Streeters as "the Kennedy Bull Market."

It was not only the President's words which generated the buoyancy, but Congressional backing of the White House request for an additional \$3.5-billion in defense spending, to which generous lawmakers added another \$1-billion, all of which was over and above the \$44-billion already appropriated. Persuasive strength was displayed by the entire

list of stocks, with heavy trading in the heavy industries.

The upsurge in prices followed on the heels of a very successful trading month, July. Latest figures show that the number of shares which changed hands in that period was 60,896,990 compared with 53,870,465 shares in July 1960. The daily average was 3,044,850 shares, against 2,693,523, respectively. For the year so far, commission hungry brokers had little cause for complaint. Up to July 31, 632,691,321 shares were traded, compared with 446,702,386 in the same period last year, with daily averages of 4,363,388, against 3,059,-605 shares.

Advances Made

Respectable advances have been made by aircrafts, motors, steels, drugs, foods, and others. The steel picture was brightened by Bethlehem's decision to pay the regular dividend, although it was not earned. There were also price declines in such groups as rails (which were depressed by the New Haven bankruptcy), radio and TV manufacturing, and others.

The improvement in basic economic conditions, to which must be added the defense build-up stimulus and fears of inflation, are primary investment and trading considerations at the present time. There are those who take a very dim view of this burst of activity. This group is wary of the fact that the stocks that made up the Dow Jones industrial averages, which had a combined price-earning ratio of 8.4 to 1, by the end of last year this ratio had jumped to 18.9 to 1, including five stocks at 25 to 1, or better. Since each investor puts his and her own

(CONTINUED ON PAGE 16)

Investment Portfolio Changes

 \mathbf{A}^{s} indicated in this column last month, institutional investors did a pretty good job in anticipating accelerated defense spending—considerably ahead of the plans submitted by the President to Congress late in July.

Despite pending labor negotiations, auto shares, for example, were bought rather than sold, except Chrysler where the new management has yet to demonstrate its worth. The same applied to heavy industry, generally, because this segment of American industry supplies the sinews of conventional warfare, now held to be as important in the national defense picture as missiles and the electronic gadgets which go with them.

Some Securities Down

There were very few sales in the electric and electronic fields in either listed or unlisted securities. Chemicals were also high on the buying side and so were banks and finance company stocks based on the reasoning, perhaps, that the defense build-up would lead to greater demand for credit.

In anticipation of increased demand for energy and fuel, there was considerable buying in petroleum and gas stocks. The two favorites in this area were Gulf Oil and Standard Oil of California. Utilities, too, which use gas and oil and which are engaged in expansion of facilities to cope with growing industrial and household demands, continued to benefit from buying by investment companies.

Other purchases of investments seem to have been motivated by both defense and civilian considerations. Things are getting better, in the opinion of investment managers, otherwise they would not have bought heavily in the amusement industries, such as ABC-Paramount, MGM, and Walt Disney. In this category must be mentioned also American Machine & Foundry, the largest operator and builder of bowling alleys in the world. More than 1,000 of these are on U.S. overseas bases.

These on-balance-buy changes were offset, in part, by liquidation of some holdings, particularly in insurance stocks. Hartford Fire and Travelers, for example, were bought heavily, while liquidation occurred in U.S. Life, Federal, Firemen's Fund, and others. That applied to other fields, too, such as machinery, rails, construction and rubbers, to mention a few.

Mutual Funds Perform Well

With all the considerations which go into portfolio changes, it is worth noting that by the standard of the averages both mutual funds and closed-end companies out-performed the general market. Leslie Gould, writing in the New York Journal American, estimated that the stock market rose 11% in the first half of the year.

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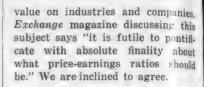
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New Frontiers for Banks

Housing and real estate are new frontiers for bank and other institutional investors. This stems from Federal and state legislative actions aimed at eradicating the low and middle-income housing deficit. A new type of tax-exempt obligation, for example, has been offered by the New York State Housing Finance Agency. The basic security is not the state's credit, but rather in the nature of a mortgage. In cooperation with local housing and urban rehabilitation agencies, proceeds will be spent for middle-income housing.

The bonds are secured by first mortgage liens on the projects. The action is parallel to Congressional measures enacted earlier which provide Federal support for state and local developments along the general pattern of the highway construction program.

The magnitude of the market is exemplified by two major fieldssenior citizens' housing and improvement and remodeling of inexpensive homes. Nearly one out of every four Americans are 50 years or older. They total nearly 42,000,000 individuals. Three million of those over 65 still work. The types of houses wanted by them and by retirees cover the range of single homes, cooperatives and varied type rental units. About 45%, or 20 million persons engaged in non-farm pursuits, are covered by pension plans. As many as 70% of those over 60 buy their retirement homes "cash on the barrel-head" in some projects.

Remodeling and improvement of dwellings is another relatively untapped market. Experts place the potential of this field at \$20-billion. FHA insured home improvement loans are available on a long-term basis. The building industry is taking increasing cognizance of the importance of this field. A minor revolution is also going on in the pre-fab housing area where homes have been known to be put up in 72 hours. Investors will be called upon to hop on the bandwagon.



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...an Eastern banker said recently, with respect to effective new business training in banks.

If you believe that your bank, like most, needs new business guidance, based on proven success in other banks, this is a good time to find out in a personal discussion what you can reasonably expect and what the cost would be.

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Larry Ronson, who conducts the bank course in person.

EXCERPTS FROM BANKERS' LETTERS TO MR. RONSON:

A \$62,000,000 Maine bank:

"I do not know when I have seen a program as well received as your Business Development Program by our officers, managers and employees."

A \$374,000,000 New Jersey bank:

"Numerous officers and employees have come to me with personal expressions of how your meetings have helped them individually."

A \$110,000,000 Midwest bank:

"For the first time I have confidence that we have finally established a business development program."

A \$395,000,000 bank in Texas:

"You can't know how heartening it is to me to hear such unanimous expressions from our officers that your course far exceeded our most optimistic expectations."

A \$112,000,000 Missouri bank:

"We were very pleasantly surprised at the sales potential demonstrated by our staff members..."

A \$62,000,000 Georgia bank:

"I can recommend your program without reservation..."

A \$247,000,000 Virginia bank:

"All of our officers are far better equipped now to carry out their calling responsibilities."

A \$58,000,000 bank in Texas:

"Each member of our staff has been most enthusiastic about your program."

A \$374,000,000 Florida bank:

"We heartily recommend your training program to any bank that is genuinely interested in improving the quality of its calling program."

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Compiled by Marguerite B. Rex

Promotions and honors are listed below by officer category. News of board chairmen starts on this page, below; news of bank presidents starts on this page: of directors, on page 21; of vice-presidents, on page 22; and about banks, on page 28. Features about all categories are scattered through these columns.

Changes and honors among bank board chairmen appear below:

FIRST TRENTON (N.J.) NATIONAL BANK: Harvey C. Emery, board chairman and chief executive officer, retires. Mr. Emery remains a board member and a consultant to the bank.

THE FIRST NATIONAL BANK OF FORT WORTH, Tex.: J. Lee Johnson, Jr., board chairman and chief executive officer, retires from active management. Murray Kyger, president since July 1958, becomes chief executive officer.

THE FIRST NATIONAL BANK OF OR-LANDO, Fla.: Linton E. Allen becomes chairman emeritus, and is succeeded in board chairmanship by William J. Capehart. Mr. Capehart, who has been president, is succeeded by William H. Dial, former executive vice-president.

GREENFIELD STATE BANK, Bakersfield, Calif.: Victor Machado, from president to board chairman; he is succeeded by Rowan Henry, who had been vice-president.

SECURITY TRUST AND SAVINGS BANK. Billings. Mont.: O. M. Jorgenson, board chairman, was feted upon completion of 40 years of service with the bank.

News about bank presidents:

SAN FERNANDO VALLEY BANK, Los Angeles, Calif.: Paul H. Toy, from vice-president to president, succeeding D. P. Loomis, who has resigned but not announced his future plans.

Paul



Toy

concern for the whole world." President of The National Bank and Trust Company of Norwich, N.Y., and called "dean of banking" in Chenango County, Mr. Otis was honored at an annual banquet sponsored by service clubs of Norwich, who gave this award. Front row, left to right: Supreme Court Judge David F. Lee; Carl E. Fribley, past

Otis Thompson Honored for Work for City and Country "Citizen of the Years"-plural-was the title bestowed upon Otis A. Thompson for his vital role in the development of city and county business, and "his sense of

president of the National Automobile Dealers Association; "Citizen of the Years" Thompson; the Reverend Dr. Lawrence Durgin, New York.

Back row, left to right: Joseph Armstrong, Norwich Kiwanis president; A. Leonard Mott, director, Federal Reserve Bank of New York; Dr. Everett Case, president, Colgate University; the Reverend Frank Gardner; Thomas Sproull, Norwich Service Club president; and Dr. Paul MacLeod, Norwich Rotary president and medical director of The Norwich Pharmacal Company.



NORTH SIDE SAVINGS BANK, New York, N.Y.: C. William Borchers, president, is awarded distinguished service medal by Jewish Memorial Hospital, New York.

THE DANIA (Fla.) BANK: Leonard E. Miller, who has been president of MERCANTILE NATIONAL BANK OF MIAMI BEACH, joins THE DANIA BANK as president; Anthony Vroon is appointed senior vice-president.

CITY BANK OF ANCHORAGE, Alaska: R. A. Kennard becomes president, succeeding the late Ben Crawford. Mr. Crawford, also board chairman of the bank, was recently killed in a plane crash from which his wife and two children were rescued.

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CORRECTION

Despite a mistaken notice in these columns to the contrary, Wilson Mothershead remains president of INDIANA NA-TIONAL BANK OF INDIAN-APOLIS.

Contrary to the erroneous information published here in July, Morgan Zook, after leaving the executive vice-presidency of Southern Bank, Waycross, Ga., has joined Indiana National as assistant vice-president.

BANKING regrets the er-

COMMERCIAL NATIONAL BANK OF LITTLE ROCK, Ark.: Ross Anderson, executive committee member, becomes president, succeeding the late Arthur Edward McLean, the bank's founder and only other president. Mr. Anderson is president of Colonial Baking Company, as well as vice-president of Campbell-Taggert Associates Bakeries of Dallas, Tex.

Home National Bank of Milford, Mass.: George W. Ellis, Jr., becomes president, succeeding the late Chester F. Williams. Mr. Ellis had been serving the bank as executive vice-president and cashier.

Leon Neuman



NORTH COUNTY BANK AND TRUST COMPANY, Bellefontaine Neigh-

bors, Mo.: Leon Neuman becomes president. Mr. Neuman has been executive vice-president of STATE BANK AND TRUST COMPANY OF WELLSTON.

Herbert R. Stoffels



CITIZENS BANK AND TRUST COM-PANY, Park Ridge, Ill.: Edward F. Kennedy, formerly president of SUBURBAN TRUST AND SAVINGS BANK, Oak Park, Ill., assumes functions of president at CITI-ZENS. Herbert R. Stoffels becomes executive committee chairman.

BANK OF HAWAII, Honolulu: Rudolph A. Peterson, president, is named Consul of Sweden in Hawaii by His Majesty, King Gustavus Adolphus VI.

(CONTINUED ON PAGE 21)

STATE ASSOCIATION PRESIDENTS-1961-62







Starting at the far left: WEST VIRGINIA: C. Glenn Zinn, executive vice-president, Farmers and Merchants Bank of Morgantown; NEW YORK: George A. Newbury, president, Manufacturers and Traders Trust Company, Buffalo; MINNESOTA: P. R. Kenefick, president, National Citizens Bank, Mankato

At the right, from left to right: IDAHO: Willard Rees, senior vice-president, Twin Falls Bank and Trust Company; MONTANA: Richard D. Rubie, president, Citizens Bank of Montana, Havre; OREGON: George M. Henderson, vice-president, First National Bank of Oregon, Portland







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(CONTINUED FROM PAGE 19)

Michigan National Bank, Lansing: Howard J. Stoddard, president, is named chairman of Michigan's constitutional convention preparatory commission.

New board members, and bankers recently appointed to boards of other firms, include:

FULTON NATIONAL BANK OF ATLANTA, Ga.: Gordon Jones, president, becomes director of Penn-Dixie Cement Corporation.

MIAMI BEACH (Fla.) FIRST NATIONAL BANK: Charles D. Gelatt, president, Northern Engraving and Manufacturing Company, La-Crosse, Wis., resigns as director. Joseph S. Moss, who retired as senior vice-president of IRVING TRUST COMPANY, New York, two years ago, becomes vice-chairman of the board.

SECURITY FIRST NATIONAL BANK, Los Angeles, Calif.: James G. Boswell, president, J. G. Boswell Company, becomes director succeeding the late Fred B. Ortman.

ERIE COUNTY SAVINGS BANK, Buffalo, New York: Charles H. Wood, II, president of Wood & Brooks Company, division of Aurora Corporation of Illinois, succeeding recently retired George P. Urban. CITIZENS COMMERCIAL TRUST AND SAVINGS BANK OF PASADENA, Calif.: William Symes, associate in Jack Symes Motors, Inc., joins board.

FIRST NATIONAL BANK OF LARAMIE, Wyo.: Joseph T. Banner, president, J. T. Banner and Associates, architectural and engineering firm joins First National board.

CITIZENS AND SOUTHERN NATIONAL BANK, Savannah, Ga.: Peyton Anderson, publisher, Macon Telegraph and Macon News, joins board.



Louis R. Menagh

FIDELITY UNION TRUST COMPANY, Newark, N.J.: Louis R. Menagh, president, The Prudential Insurance Company of America, joins board.

MONTANA BANK, Great Falls: J. M. Sogard, president, Sogard General Agency Corporation joins board.

HOME STATE BANK OF CRYSTAL LAKE, Ill.: Everitt A. Carter, president Oak Manufacturing Co., joins board.

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Rockefeller Congratulates Clark on New Post



G. Russell Clark, left, who recently left the post of New York State Superintendent of Banks to become board chairman of Commercial Bank of North America, New York City, was congratulated by Governor Nelson Rockefeller at a luncheon given in Mr. Clark's honor. Commercial's president and founder, Jacob Leichtman, appears next to Governor Rockefeller, and State Attorney General Louis J. Lefkowitz at the far right

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14005 Fenkell Avenue Detroit 27, Michigan New Jersey Bank and Trust Company, Clifton, N.J.: Walter F. Powers, president and owner, The Glenwal Company, Inc., becomes director.

FIRST NATIONAL BANK, Hastings, Nebr.: Fred A. Seaton, who has been a U.S. Senator from Nebraska, Assistant Secretary of Defense, and Secretary of the Interior, joins the board.

MERCANTILE NATIONAL BANK OF CHICAGO, Ill.: Howard McCullough, recently retired corporate vice-president of The Brunswick Corporation, joins board.

Recent vice-presidential changes at banks across the nation include:

MARINE TRUST COMPANY OF WESTERN New York, Buffalo: Donald E. Cielewich becomes vice-president, succeeding Thomas E. Heard, Sr., who retires.

Security First National Bank, Los Angeles, Calif.: Taylor F. Mullens, trust department vice-president, retires after 38 years of service.

CITIZENS NATIONAL BANK, Zanesville, Ohio: W. W. Osborne, vicepresident, becomes cashier; Daniel Van Voorhis, from assistant vice-president to vice-president. MEADOW BROOK NATIONAL BANK, West Hempstead, N.Y.: Byron Moger, formerly with Manufacturers Trust Company, New York, becomes MEADOW BROOK vice-president.

Richard A. Gordon



BANK OF CALIFORNIA, N.A., San Francisco: Richard A. Gordon joins the bank as a vice-president,

FIRST NATIONAL BANK OF DENVER, Colo.: Carrol L. Stubbs, Sr. becomes senior vice-president; Albert D. Latham, James R. Morris, Thomas P. O'Rourke, Robert P. Zahller all become vice-presidents.



Carrol L. Stubbs, Sr.

CHASE MANHATTAN BANK, New York: William M. Ellis, in the national territorial department, becomes vice-president.

(CONTINUED ON PAGE 24)

Bankers Attend 18th Arden House Executive Program



The eighteenth session of Columbia University's biennial Executive Program in Business Administration, June 11-July 22, gave six-week coverage to internal administration, economic forces affecting business leadership, and effective executive action.

Here, Fred W. Piderit, Jr., assistant vice-president, Federal Reserve Bank of New York, *left*, and Edward R. Welles, *center*, regional vice-president, Chemical Bank New York Trust Company, who attended the program at Arden House, talk things over with Hoke S. Simpson, director of the program.



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(CONTINUED FROM PAGE 22)

LaSalle National Bank, Chicago, Ill.: Arthur W. Glennie, vice-president, from cashier to comptroller.



Arthur W. Glennie

THE BINGHAMTON (N.Y.) SAVINGS
BANK: Robert J. Nash, treasurer,
also becomes vice-president, succeeding Ivan G. Wooster, who retires. Carl H. Randall, Jr., auditor,
also becomes controller, succeeding
Frank Carbrey, who retired.

MARINE NATIONAL EXCHANGE BANK, Milwaukee, Wis.: Eugene W. Hart and C. Edward Stevens become vice-presidents.

FIRST NATIONAL BANK OF ARIZONA, Phoenix: Carl M. Burrow becomes vice-president and personnel director.

SECURITY FIRST NATIONAL BANK, Los Angeles, Calif.: Frank N. Qualls becomes vice-president and manager of the Fifth and Bixel branch.

CAMDEN (N.J.) TRUST COMPANY: Leon H. Neiman was promoted from vice-president-comptroller to vice-president-treasurer.

CROCKER-ANGLO NATIONAL BANK, San Francisco, Calif.: Dale W. Allbaugh has been promoted from assistant vice-president to vice-president and assistant manager at the Capital office in Sacramento.

FIDELITY-PHILADELPHIA TRUST COM-PANY, Philadelphia, Pa.: Pleasanton H. Ennis, branch manager, becomes vice-president.

> Pleasanton H. Ennis



Texas National Bank, Houston:
Ray Winstead, who has been vicepresident at First-Wichita National Bank, Wichita Falls, joins
Texas National as a vice-president.

BANK OF AMERICA, N.T. & S.A., Fresno, Calif.: Joseph F. Meilike is named vice-president.

(CONTINUED ON PAGE 26)

Sussex Trust Float Wins Two Prizes



Winner of two first prizes, this staff-made float featured the official seal and the girls of Sussex Trust Company, Laurel, Del. One prize was for the best commercial float, the other for the best non-agricultural float in the Delmarva Chicken Festival Parade in Seaford, Del. White blossoms topped with black trim, red roses, and girls in black evening gowns made up the prize-winning decoration



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FINDS THIS EMBLEM LEADS THE WAY TO FINANCIAL SUCCESS

Here, in part, is the letter that won for Mr. N. of Florida a prize in Christmas Club a Corporation's 1960 Competition:

"Eleven years ago I opened my first Christmas Club account. At first I was somewhat confused about the purpose of a bank account which does not pay interest. But as time went on, I became convinced that interest on the deposits was not the purpose of Christmas Club.

"The real purpose of the club began to stand out with each deposit I made. It was the 'habit of pre-decided and weekly systematic savings.'

"My first club helped my start in business, and my yearly Christmas Club checks have paid many tax bills or house repair bills which saved me many dollars in carrying charges. Christmas Club has also helped my credit rating in my bank. In fact, my Christmases are now really merry ones!"

Mr. N., in learning to save and to use the services of his financial institution, is a living example of the two most important reasons for Christmas Club!

- 1. It is the "kindergarten" that starts people on the road to financial responsibility.
- 2. These people often become customers for the other services you offer.

We would like to talk to you personally about about these and other advantages of Christmas Club. Our staff member for your area can give you complete information. A note to us will put him in touch with you. There is no obligation, of course.

Christmas Club a Corporation

230 Park Avenue, New York, N. Y. Founded by Herbert F. Rawll

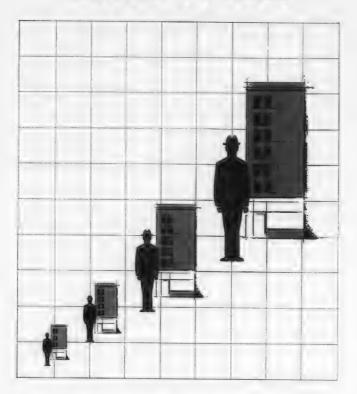


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TAMPA, FLORIDA
32-A Western Union Bldg.



(CONTINUED FROM PAGE 24)

Mosler Safe Company, New York: Arthur F. Anderson, commercial division executive, becomes a vicepresident.

> Joseph R. Curtis



SECURITY FIRST NATIONAL BANK, Los Angeles, Calif.: Joseph R. Curtis becomes vice-president and area supervisor.

(CONTINUED ON PAGE 28)

Two Trustmen Die— Both Were A.B.A. Committeemen

Two bankers, both of whom had served as committeemen in the Trust Division of the American Bankers Association, died recently.

George M. Irving, vice-president and general trust officer, BANK OF THE SOUTHWEST, Houston, Tex., 60 years old, has died. Mr. Irving will be remembered by American Bankers Association members as a Personnel and Law Committee member of its Trust Division. He had also been a chairman of the Trust Section of the Texas Bankers Association, as well as a president of the Corporate Fiduciaries Association of Houston.

Former A.B.A. Trust Investment Committee member and member of the A.B.A. Retirement Committee, Frank M. Perley, died at his home recently, ending a 43-year career with AMERICAN SECURITY AND TRUST COMPANY, Washington, D.C.

Vice-president and trust investment officer at the bank, Mr. Perley was past president of the D.C. Chapter of A.I.B., member of the New York Society of Security Analysts, Washington Society of Security Analysts, and was active in the D.C. Bankers Association.



Your bank-by-mail headaches are cured when you automate with MICR-SETS, available only from Cupples-Hesse. MICR code imprinting and processing eliminates posting errors, look-ups, account number enscribing and also eliminates the need for an imprint program within the bank.

In contrast with the usual form, MICR-SETS offer:

SPEEDIER PROCESSING

Actual time saved with MICR-SETS is in proportion to the time saved by banks using magnetic ink checks.

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MICR-SETS cost less than conventional systems, by far.

UNIVERSAL APPLICATION

MICR-SETS work with all processing equipment in use or on order; they meet all A.B.A. specifications.

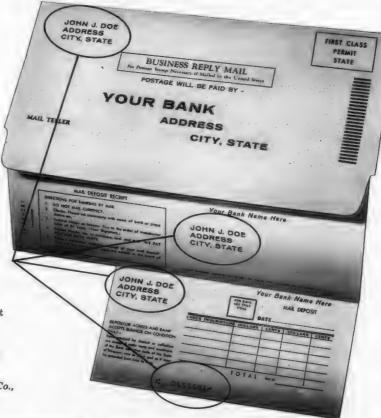
DEPOSITOR CONVENIENCE

Name and account number are already imprinted. Depositor performs just one operation: recording checks and their total.

COMPLETE SERVICE

Cupples-Hesse prints and delivers sets of 25, 50, 75 or 100 forms direct to the depositor; simplified reorder procedure is automatic.

To learn how you can reduce costly bank-by-mail processing and for sample forms and prices, write to MICR-SET Dept., Cupples-Hesse Co., St. Louis, Mo.



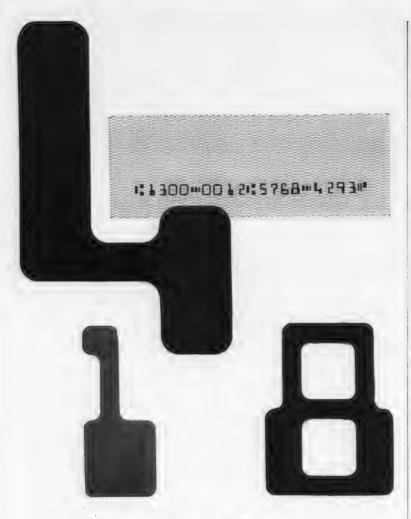


Cupples-Hesse Company

Division of St. Regis Paper Company 4175 N. Kingshighway Blvd., St. Louis 15, Missouri

PLANTS IN ST. LOUIS... DETROIT... DES MOINES

Patent Pending



Today's Costs Tomorrow

We, who make check paper, view with enthusiasm the Bank Automation Program. It has given us problems but it promises us a great future.

The machines that will automatically handle the great volume of checks in use today guarantee the maintenance of checking account costs at a lower level than otherwise possible, and we think this will increase the use of checks.

It is our responsibility to give you paper with both protection against alteration and counterfeiting, as well as the qualities necessary to meet the machine demands.



THE WAVY LINES ® ARE A LA MONTE

GEORGE LA MONTE & SON . NUTLEY 10, NEW JERSEY



THE FIRST NATIONAL BANK OF ('HICAGO, Ill.: Mel C. Carney, formerly assistant vice-president, becomes "Division E" vice-president. Harold E. Hawes becomes vice-president in the trust department.

New banks, new branches and recent mergers appear below:

THE PEOPLES BANK OF HAMBURG, N.Y., and THE BANK OF NORTH COLLINS, N.Y., merge under PEOPLES charter and title.

CITIZENS BANK AND TRUST COMPANY OF MIDDLETOWN, Pa., and HARRISBURG (Pa.) NATIONAL BANK merge under charter and title of HARRISBURG NATIONAL.

GENESSEE MERCHANTS BANK & TRUST COMPANY, Flint, Mich., merges into Vernon (Mich.) STATE BANK.

SOUTH CAROLINA NATIONAL BANK opens new Pee Dee regional headquarters and main bank building in Florence.

NORTHWESTERN BANK, St. Louis, Mo., opens new auto banking facility with seven windows.

COMMUNITY SAVINGS BANK, Rochester, N.Y., starts on new Pittsford Village branch.

(CONTINUED ON PAGE 30)

Dr. Felix Morley Wins Social Science Award

Director emeritus of AMERICAN SECURITY AND TRUST COMPANY, Washington, D.C., and renowned writer, lecturer and economist, Dr. Felix Morley has been given the 1961 William Volker Distinguished Service Award from The Institute for Social Science Research in Washington, D.C. The award was given for distinguished service to the public as chairman of trustees of the institute, as president of Haverford College (he retired in 1945) and as editor, correspondent, consultant and adviser to governmental and other agencies.

Dr. Morley received a Pulitzer Prize for editorial writing in 1936, and currently writes a monthly editorial for Nation's Business.

The Reynoldsburg Bank, Reynoldsburg, Ohio. Architect: Taylor & Liebersbach, Columbus, Ohio. Contractor: C. C. Vogel, Columbus, Ohio. PPG products Installed: GRAYLITE® heat-absorbing, glare-reducing glass, TUBELITE doors.



Here's the <u>modern</u> way to attract new business: a new bank with a PPG Open-Vision Front

Approximately 65% of the exterior wall area of this new bank is glass. It is the Reynoldsburg Bank of Reynoldsburg, Ohio, and it is the first building in the area to use this unique design. It's a modern building in every sense of the word, and much of its clean, handsome appearance is due to a liberal use of PPG products. An Open-Vision Look like this is bound to attract new business for this progressive bank.

A bank doesn't have to look like a gloomy fortress. On a new bank like this one, or on a remodeled building, an Open-Vision Front by Pittsburgh Plate Glass can give a feeling of airy spaciousness that will attract new customers. We have testimonials from firms all over the country telling us how their business increased after they installed the Open-Vision Look by PPG. As a result, you'll find the cost of a new Open-Vision Front is soon offset. For more information on how an Open-Vision Front can help your bank, send for our free booklet or see your nearby PPG branch or distributor.

Pittsburgh Plate Glass has the complete package to give your bank the Open-Vision Look: Pittsburgh Polished Plate Glass; a complete line of attractively finished PITTCO® Store Front Metal; TUBELITE® aluminum framed doors with glass panels; HERCULITE® Tempered Plate Glass Doors and WEST Tension Polished Plate Glass Doors, both with aluminum, bronze or stainless steel frames; PITTCOMATIC® Handle or Mat-operated Door Openers.



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Pittsburgh Plate Glass Company

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Name____

Please send a free STORE FRONT booklet to:

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Store

Is your figurework done blindfold?





If you removed the blindfold, you'd see a window that looks like this. It's a "Check Window" that shows a full registration of figures entered—while there is still time for their correction. Of all the ten-key adding machines made in America today, only the Friden has it. All others are "blind". The operator can't tell what figures she has entered until they are added or printed. Then it's too late.

These are other advantages: the exclusive "Natural Way" keyboard, designed to fit the user's hand perfectly. Sales, Service at

An extra-wide platen for roll paper and wide forms. Automatic red-printing of negative values. Automatic credit balances. All live control keys. And special features for rapid, efficient multiplying.

Looking for accuracy, speed, versatility (and ruggedness) all in one machine? Call your local Friden man for a demonstration. Or write: Friden, Inc., San Leandro, California.

THIS IS PRACTIMATION: automation so hand-in-hand with practicality there can be no other word for it.



Sales, Service and Instruction Throughout the U.S. and World



(CONTINUED FROM PAGE 28)

UNION COUNTY TRUST COMPANY, Elizabeth, N.J., and LINDEN (N.J.) TRUST COMPANY merge under charter of LINDEN TRUST COMPANY and title of UNION COUNTY TRUST COMPANY.

LIBERTY BANK AND TRUST COMPANY, Buffalo, N.Y., and NATIONAL BANK OF FREDONIA, N.Y., merge under LIBERTY BANK charter and title.

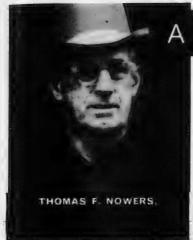
NATIONAL BANK OF YORK COUNTY and CENTRAL TRUST CAPITAL BANK Harrisburg, Pa., plan merger to form NATIONAL BANK AND TRUST COMPANY OF CENTRAL PENNSYLVANIA. Senior officers will be Joseph L. Rosenmiller, president and chief executive officer; Charles H. Graff, board chairman and chief administrative officer; John C. Tuten, executive vice-president; Wilbur C. Betzel, vice-chairman of the board; Horace E. Smith, executive committee chairman.

Reid Award Finalist Named

THE NATIONAL ASSOCIATION OF BANK WOMEN has again named the 10 top contenders for the Jean Arnot Reid Award. An annual prize of \$250 plus a trip to the national N.A.B.W. convention, this year to be held in Rochester, N.Y.. is awarded to the woman with the highest record in American Institute of Banking courses.

Listed alphabetically, the finalists are: Dorothy Allen, First American National Bank, Nashville, Tenn.; Florence T. Aspel, Wells Fargo Bank American Trust Company, San Francisco, Calif.; Lois M. Barden, First National Bank in Oshkosh, Wis.; Elva M. Crawford, Bank of America N.T. & S.A., Sacramento, Calif.; Doris A. Payne, Lincoln Rochester Trust Company, Rochester, N.Y.; Helen T. Roy, First National Trust and Savings Bank of San Diego, Calif.; Frances H. Stalder, First National Bank at Orlando, Fla.; Wilma H. Wackerle, The Detroit Bank and Trust Company, Detroit, Mich.

Winner of the top honor will be announced at the convention in October.



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A BANKER (Who also owns a farm)

EVALUATES HARVESTORE® AS AN INVESTMENT

Banker-tenant farm increases return on investment 22% with HARVESTORE mechanized storage and feeding system.

Fifty years of banking experience, plus long-time farm ownership, makes Thomas Nowers an unusually well-qualified judge of the HARVESTORE mechanized storage and feeding system. In this article, he makes several thought-provoking judgments—all of which are substantiated by a study of his own HARVESTORE equipped farm. But let Mr. Nowers tell the story in his own words...

"Farmers cannot afford to feed livestock without a HARVESTORE"

"A farmer cannot invest his money in anything more secure than a HARVESTORE feeding system. With a HARVESTORE, a farmer can operate a continuous feeding program through the summer months, while other farmers are storing their crops for fall feeding. Therefore, a HARVESTORE farmer has several additional months of ideal feeding weather. Also, a HARVESTORE enables him to harvest and store his crops at their peak nutritional value. No fire hazard and very little depreciation are other reasons that make a HARVESTORE system a low-risk investment.

"Average HARVESTORE owner will double his production"

"The additional income a HARVE-



Unusual banker-tenant farm study by Mr. Nowers and his tenant, Leonard Moens, showed HARVE-STORE produced substantial return on investment for both.

Two HARVESTORE mechanized storage and feeding systems for handling 200 or more beef cattle and 400 hogs on Mr. Nowers' 450 acre farm near Atkinson, Illinois.

STORE produces makes the investment pay for itself. Every acre harvested and fed through a HARVE-STORE will return 50% to 100% more net income than conventional storing and feeding methods. The average HARVESTORE owner can double his production, lower his cost of gain 25%, and reduce his labor at least 50% in an average year.

average year.

"Without a HARVESTORE, a farmer has very little control over the three basic factors in making a livestock operation profitable (buying livestock, production cost and selling



livestock). With a HARVESTORE, he can lower his production cost substantially. As a result, the importance of the other two factors are reduced, and the risk involved in his feeding operation is much lower.

"Return on investment 22%"

"In 1958 and 1959, Leonard Moens, my tenant, and I added two 20 x 50 foot HARVESTORES to my farm—one for high moisture shelled corn, one for haylage and corn silage. By studying our operation, we found our HARVESTORES gave us a rate of return on investment of 22% and increased return per acre to \$228 for cattle feeding alone. (For complete details of this study, see chart below.)

"Based on my experience as both a banker and a farm owner, I am convinced HARVESTORE is far ahead of any other crop harvesting, storing, or feeding method. Of the many startling advancements in agriculture during the last few years, HARVESTORE stands alone at the top."

This unusual banker-tenant study and Mr. Nowers' comments illustrate an important fact. A HARVESTORE is a profitable investment for both a farmer and his banker. We will be happy to provide further information on how a HARVESTORE can substantially increase a farm's net worth.

Here are the Farm Bureau Farm Management Records

	1959	1960	Difference
No. of cattle sold	143	156	+13
Lbs. of beef produced	89,259	134,854	+45,595
Bu. of corn fed to cattle	11,438	11,931	+493
Protein supplement purchased	\$2,316.62	\$1,764.40	-\$552.22
Cost of 100 lbs. of gain	\$ 18.06	\$ 14.25	-\$ 3.81
Return on investment (tenant)			13.59%
Return on investment (owner)			9.08%
Return per \$100 feed cost	\$ 126.00	\$ 204.00	+\$ 78.00
Bu. of corn purchased	3,790	4,356	+566
No. of hogs sold	219	324	+105
Lbs. of pork produced	60,050	77,000 °	+16,950

According to Mr. Nowers, "The only difference between 1959 and 1960 was two fillings of a 20 x 50 foot HARVESTORE with Haylage. This required three cuttings of 50 acres of alfalfa and produced 45,595 more lbs. of beef. At 25¢ per lb., this amounted to \$11,399 or \$228 return per acre from alfalfa as Haylage. The additional 493 bushels of corn were offset by the \$552.22 less supplement purchased."

HARVESTORE PRODUCTS, INC.

KANKAKEE, ILLINOIS

A. O. Smith International S. A., Milwaukee 1, Wis.

to the banker who believes in catastrophe

nsurance

We would like to mail you a brief summary of a new Scarborough policy. We designed it for the bank that now buys \$1 Million Excess Embezzlement Insurance and Burglary & Robbery Insurance. This new policy covers both for less premium. It pays losses that your present separate policies don't pay. It covers your employee with a previous dishonesty record. It covers fire, misplacement and mysterious disappearance losses. Our brochure summarizes ALL the advantages. For your copy, attach your business card to this advertisement and mail it to Scarborough.

SCARBOROUGH

SCARBOROUGH & COMPANY / BANK INSURANCE SINGE 1919 / FIRST NATIONAL BANK BUILDING CHICAGO & ILLINOIS

BANKING

SEPTEMBER 1961

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The OUTLOOK

and CONDITION OF BUSINESS

JUST as we were having a carefully documented recovery—suitable for framing and hanging alongside other recovery pictures—the barriers across Berlin went up again. Now we'll never know where the indicators would have gone if they'd been left alone to find their own way.

Whether we'll gain more in economic headway or political headaches in the next six months is debatable. Indications are that the increase in both will be considerable.

While the major spending impact of the defense build-up will be delayed for some time, some economic effects of the program are already being registered.

Also on the political side, some legislation that was headed for the scrap-heap or mañana is showing new signs of life.

Under the spell of the right words from the White House or the floors of Congress, almost any spending proposal can be given a patriotic aura that it wouldn't have if our defense effort were just muddling along in its routine way.

No doubt for some months ahead the principal impact will be psychological, with effects that are already showing themselves in a number of ways:

Labor leaders appear more hopeful of pushing their wage demands.

There is greater confidence in sales efforts and profit prospects.

Dividends are expected to be higher, over-all.

On the unfavorable psychological side, there is more talk of possible Government controls, at least of a standby character.

And a budgetary deficit will be with us for some time, with its implications for inflation.

Inflation If We Don't Watch Out

Some optimists point out that the inflation danger can be ignored in the present situation because of our unused productive capacity and our large number of unemployed, but these factors are not to be relied on, for reasons that are becoming apparent.

Obviously, if Labor's hopes materialize, wages will rise

beyond any conceivable increase in output per man-hour, creating, as always, upward pressure on prices.

For the many businesses that are anticipating lower earnings even with larger volume, this is a life-and-death matter.

As for the effect of the large number of unemployed, the figure is not actually so great as it seems because of our peculiar way of including teenagers looking for temporary jobs, and other groups which are not actually the victims of either recession or lack of "growth." Furthermore, the actual unemployed are not always where the job openings will spring up, or are lacking in the necessary training or desire for such new job opportunities.

The reservoir of unemployed is not like a liquid that can be poured into any empty containers that come to hand.

And so the possibility of inflation—one of the strongest of all psychological factors in the economy—is receiving a boost because of the defense effort.

Yet this would not be so if the Administration set an example of the sacrifice that has been called for on the part of citizens and gave up or reduced some of its non-defense spending.

Bankers on Defense Build-Up

To find out how the stop-Khrushchev program may effect banking and business in the next six months, BANKING asked the opinion of several bankers in scattered geographical areas.

According to one of these bankers from the mid-South, the second-quarter recovery was the result of the wise policies followed by the Federal Reserve Board, which tempered the short inventory recession that we had experienced. In other words, sound monetary and fiscal policies, combined with natural causes, produced results

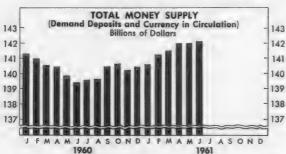
Since all segments of the economy seem to be moving up together, he feels there is bound to be an accumulated effect which will move the production index and GNP very rapidly. When so much spending has been

(CONTINUED ON PAGE 156)

The OUTLOOK and Condition of Business

The Condition of Money and Credit







President Kennedy's recent request for \$3.5-billion in additional defense spending pushed the Federal badget to a new peacetime high of \$87.7-billion, up from \$81.5-billion in fiscal 1961.

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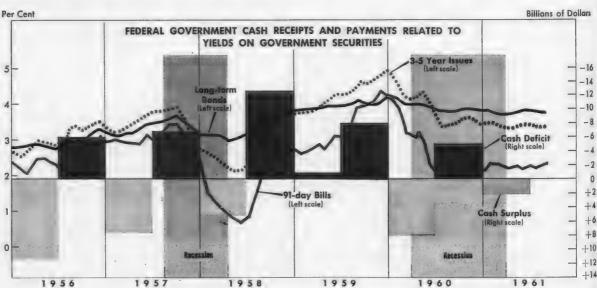
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Some \$2.7-billion of this \$3.5-billion is expected to be expended during fiscal 1962. The new spending, according to some economists, should help GNP reach \$520-billion by the third quarter of this year and perhaps \$525- to \$530-billion by the end of the year.

Before the new build-up, a budget deficit of \$3.55-billion had been expected. It is now set between \$5- and \$6-billion. What potential inflationary pressures are involved in this deficit? Conditions for inflation generally involve an economic climate in which demand for goods outruns available productive capacity during a period of high employment. When Treasury deficits are financed by banks, they create new bank deposits with subsequent increases in money supply. This new money finances higher prices and higher wages, without compensating production increases. The net result: The value of the dollar goes down.

Currently unemployment is high, there is excess plant capacity, and the money supply is not appreciably above the level of a year and a half ago—in fact, the growth in recent months has slowed down. The budget for fiscal 1963 is promised to be in balance, and the President has warned the nation he will ask for higher taxes next January if necessary. These are factors that should reduce, to some extent, the inflationary pressures of increased Government spending.

With the changed economic environment, it will be of interest to see what Federal Reserve action will be taken relative to the Treasury's additional financial needs and, also, the extent to which the nonmilitary segment of the budget changes in size. Government expenditures and financing techniques will still be concerned with the ever-present balance of payments threat.



Digest of the Business Outlook

The OUTLOOK and Condition of Business

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LOANS. September rise of \$500-\$600-million would be normal for seasonal reasons,—food and commodities processing, taxes, etc. But this month probably will set no record. Corporations are loaded with cash from borrowings and rising sales; haven't rebuilt inventories. Consumer loan demand has been quiet.

RATES. In weeks and months ahead the new Federal spending gradually will add to business credit needs, with recovery gathering steam anyway. The bigger Federal deficit will add to up-pressure on rates, but not this year. British tightening tends to draw funds from here.

SAVINGS market statistics in 32-page booklet showing national, state and metropolitan area data available at \$1 from A.B.A. Savings Division, which urges banks to study it for light on what their competitors are doing. S&Ls in first half made largest 6-month gain ever.

FEDERAL BUDGET. Kennedy's July request for \$3.5B additional defense money adds \$2.7B to fiscal 1962 spending. Latest budget totals are: receipts \$82.4B; expenditures \$87.7B; deficit \$5.3B. Totals have been raised several times since January.

INFLATION. Psychology jogged by defense build-up. With ample excess plant and manpower, deficit needn't cause inflation. Slight price firming would be normal at this stage of business cycle. The wage-price spiral may revive later. But no sign yet of Fed tightening.

General Indicators

GNP will get some extra support from the Berlin crisis. Washington looks for \$535B annual rate by year-end. In 1960 GNP was $504\frac{1}{2}$ B.

PERSONAL INCOME is rising nicely, putting consumers into position to step up buying when ready.

NATIONAL INCOME climbs and climbs. See annual data in July Survey of Current Business. The main component is personal income: \$402B in 1960; \$412B rate in first quarter 1961; up in second quarter. Now defense program will have added effect. See what Korean War did to national income: 1949 \$218B; 1950 \$242B; 1951 \$272B.

INDUSTRIAL PRODUCTION by July recovered to levels of first half of 1960; is expected to rise more in next few months, aided by the defense program.

Spending

GOVERNMENT goes up and up. U.S. spent about \$95B in 1960, will spend about \$105B this calendar year, and \$114B next—unless still more programs are added. The defense buildup is added to space, highway, and housing spending.

BUSINESS spending is stimulated by Washington's spending; plant and equipment outlays will now be upped. Recovery proceeds apace. In June Commerce-SEC estimated business plant and equipment spending in 1961 at \$34.5B; fourth quarter rate at \$35.5B. Prospect now is for some increase this half and more in 1962. But no capital goods boom yet.

CONSUMER is always the biggest spender of all; three times as important as all governments. At record high, individual incomes point higher: a big spending potential. But as yet consumer hasn't let go. Summer saw moderate recovery start in consumer credit. There seems to be reluctance to incur debt. No "war scare" psychology as we write.

Prices

WHOLESALE. Fairly large declines have been posted this year by paper, chemicals, textiles, some finished steels, and machinery items. Some of these may try to retrieve lost ground when opportunity presents. Inventory buildup, strong consumer demand, wage increases could bring higher wholesale prices.

CONSUMER. Averages steady, after seasonal adjustment. Not much change in next months is anticipated. Non-foods, soft goods, and services are up a bit. June CPI index of 127.6 made new high. Defense step-up tends to erase any remaining weakness in durables, although consumers are well stocked.

Employment

DEFENSE helps build employment, reduce unemployment. Before Kennedy spoke on Berlin, unemployment still above 6% by December 31 seemed likely. Now less than 6% is expected.

General Categories

COMMERCE DEPARTMENT has issued midyear outlook surveys for 20 key industries.

CONSTRUCTION. Commerce expects a record \$58B for 1961, 4% above 1960. Private housing will be down slightly; other private, up. Over-all, private building will gain 2%; public 10%. Military construction may expand; also Government nonmilitary, particularly in 1962. But a real war crisis could bring controls, change the picture.

AGRICULTURE. Summer crop report showed 7% decline from 1960,—mostly from feed-grain acreage cutback, for which farmers got cash. Their income isn't hurt; first half was 3½% above 1960.

CHEMICALS. Sales improving; 1961 will at least equal 1960. Capacity is more than ample; no defense-generated shortages are visible.

ELECTRONICS. The long lead time means defense strengthening won't immediately stimulate electronics industries. Over the next 1½ years, if \$1% B more is spent on missiles, aircraft, etc., maybe some \$300,000,000 of it will go for electronics—a 6%-7% step-up in present production rates.

TEXTILES. Cotton outlook is improved. New military plans have an immediate effect here: e.g., cotton duck for tents, tarpaulins, packs. Woolens look mildly favorable; no immediate effect from the military program.

ELECTRIC. Power equipment had excellent first half. Trend continues. Power system's operating margin—demand v. capacity—is good. Outlook for equipment orders is very good. Export demand has been strong.

(CONTINUED ON PAGE 154)

Washington

"Standing Room Only" at Tax Uniformity Hearing; A.B.A. Testimony Refutes Opponents' Charges

THOMAS W. MILES =

THERE IS ONLY one real banking story in Washington. That is tax uniformity. The story is a live one with suspense elements and the final episode has yet to be written.

This column, in August, carried BANKING readers right up to the July 14 report which the Treasury Department made to the House Ways and Means Committee on its study of the taxation of mutual savings banks and savings and loan association. Ways and Means has the job of writing tax laws.

Kennedy Asks Tax Review

It was back in April that President John F. Kennedy in his Tax Message asked Congress to review tax deductible reserve provisions of mutual financial institutions "with the aim of assuring non-discriminatory treatment."

But Treasury was delayed almost three months in sending up to Ways and Means its report because of discussions with the Federal home finance agencies who were concerned over the effect of taxation on the flow of mortgage funds. These concerns were reflected in the report when it came out.

Treasury Favors Reform

The Treasury report was forthright about the existence of an inequity. It held that reasons no longer exist for the special tax treatment now accorded these mutual institutions. Treasury's conclusion was that mutual savings banks and savings and loan associations should be required to pay their fair share of Federal income taxes.

How? Treasury suggested three methods, any one of which Ways and

Means could write into its tax bill.

These were: (1) full taxation comparable to the formula applied to commercial banks: (2) a transitional approach over two to four years under which these institutions would be allowed a "true" bad debt reserve and, in addition, be permitted to deduct for tax purposes a diminishing percentage of any additional retained earnings; and (3) an alternative formula which would not subject these institutions to full taxation but continue some preferential treatment for the sake of housing considerations.

The American Bankers Association supported the first method, that of full taxation for the mutuals. It preferred traditional tax concepts now used in connection with other businesses over "new and untried tax formulas applicable only to mutual financial institutions."

Congress Has Misgivings

There the matter rested—at a point late in the Session where there was no time for resting. The Administration's tax package, in two parts, was at least in the legislative mill. Would uniform taxation of financial institutions be a part of that package or would it be put off? That was a question at the time.

It was not in the list of tentative tax decisions that Ways and Means released July 20. This was understandable, of course, in view of the fact that Treasury recommendations of taxing mutual financial institutions reached the Hill only six days earlier.

That list was short \$300,000,000 in revenues to make up for the estimated revenue loss of \$1.2-billion anticipated

from the 8% tax credit incentive to business for investments to modernize the country's industrial plant. It was not the balanced tax package that the Administration had proposed. The very fact that the package was out of balance was a point that some members of Congress were critical of.

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They argued this way: How can we justify cutting revenues now when we may be asked in January or February to raise taxes? Or in view of the program of tax revision promised by the Administration next year?

The Administration Prods

Probably in answer to such misgiving, the President in his July 25 address on Berlin announced that the budget he intends to submit in January to Congress will be balanced.

Secretary of the Treasury Douglas Dillon went a step further in this reassurance. In a letter to Chairman Wilbur D. Mills of the House Ways and Means Committee on August 2 he said that the new budget will be balanced without any increase in taxes—barring, of course, any worsening of the international situation.

"Close the Loopholes"-JFK

The President's speech and Mr. Dillon's letter had another encouraging point of more immediate interest to bankers. Mr. Kennedy asked for the closing of "the tax loopholes I have specified—on expense accounts, overseas income, dividends, interest, cooperatives, and others." The taxation of mutual savings banks and savings and loan associations is one of the loopholes he had specified.

Most of Mr. Dillon's letter was concerned with urging the need for the 8% investment credit incentive

in view of the impasse in foreign affairs. He may be asked to explain a little more about that at executive sessions of Ways and Means. As part of the tax package the Secretary's letter and the President's speech served to associate the Administration's tax program with the girding of the country to prepare for Mr. Khrushchev's crises.

The Dillon letter also cited the \$300,000,000 revenue shortage in the Ways and Means decisions of July 20 and added this significant sentence:

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"I would urge that your final consideration of this legislation provide an approximate balance in over-all revenue effect, preferably through the addition of further revenue raising measures implementing the President's recommendations on closing loopholes, including a possible revision of the special tax provisions relating to mutual savings banks and savings and loan associations, or if need be through a small reduction in the 8% level of the investment credit, or perhaps through some combination of both."

Dillon Adds the Clincher

And then to clinch it Mr. Dillon had this closing paragraph:

"The President has authorized me to say that enactment at this session of tax legislation on the investment credit, offset by corresponding revenue gains from the closing of loopholes in our tax structure, is essential in the strengthening of our nation to meet the tasks that lie ahead."

The Dillon letter removed any possible doubt about the Administration's desire to include the taxation

Representative Wright Patman (D., Tex.), ranking member of the House Banking and Currency Committee, was carried away by his imagination and the eloquence of its expression at the House Ways and Means Committee hearings on tax uniformity, He said:

"The bankers have been beating the drums for this legislation for a long time, and, recently, beating them faster and faster. They have now worked themselves into such a frenzy that their cannibalistic instincts are showing. The feast dance is on. The bankers have their competitor in a pot—or so they think—and are about to boil him.

"They tell me, Mr. Chairman, that out in real cannibal country, where I imagine things are relatively simple, a book which is at the top of the best-seller list is one titled, 'How to Serve Your Fellow Man.'"

of mutual financial institutions in the tax package it is asking Congress for. Involved is \$875,000,000 in new revenue that full taxation of these institutions would yield. And this at a time when the revenue is needed for the sinews of the nation.

So Hearings Were Held

The Ways and Means Committee hearings August 9 and 10 on the issue opened to a full house. There was almost perfect attendance on the part of committee members and in the large committee hearing room all seats were taken and people stood for hours along the walls. This was true for most of the two days. The hearings brought out a larger attendance than any tax sessions this year.

One wit on the committee was reported to have commented in an aside to a colleague: "The size of the crowd indicates the size of the loophole."

On the first day three of the four bankers' groups associated with the A.B.A. in seeking tax uniformity testified. They were L. Shirley Tark for the Bankers Committee for Tax Equality, Gaylord A. Freeman, Jr., for the Association of Reserve City Bankers, and Reed H. Albig for the Independent Bankers Association.

Second-Day Testimony

On the second day Dr. Charls E. Walker, executive vice-president of the A.B.A., and Howard J. Stoddard of the Roth Committee for Tax Equality went on. Two high ranking members of the House Banking and Currency Committee also testified. Representative Abraham J. Multer (D., N. Y.) was the first witness heard in accordance with Congressional courtesy, but Representative Wright Patman (D., Tex.) went on immediately after Dr. Walker.

Political Overtones

Both Mr. Multer and Mr. Patman opposed changing the tax formula for savings and loan associations and mutual savings banks.

Mr. Multer warned—and the political import was not lost—that, with 76,000,000 share accounts in savings and loan associations and savings banks, constituents in every Congressional district are involved.

Mr. Patman inveighed at length against the "various Federal subsidies to the commercial banks" which he estimated at \$5-billion a year. His argument was that these subsidies more than compensate commercial banks for any tax disadvantage they might suffer competitively with mutuals.

A.B.A. Well Received

When Dr. Walker testified, he had a supporting team to supplement his argument in special fields. On it were Joseph M. Naughton of Cumberland, Md., D. C. Sutherland of San Francisco, and three A.B.A. staff members. Mr. Naughton is chairman of the A.B.A. Uniform Tax Treatment Committee and Mr. Sutherland is a member of the Mortgage Finance Com-

AT THE HEARING: Dr. Charls E. Walker, A.B.A. executive vice-president, appears before "Ways and Means" with bankers J. M. Naughton (left) and D. C. Sutherland



mittee. Their testimony was well received by a full committee and the questions were few—and well handled.

Why a Tax Shelter?

Dr. Walker could see no excuse for continuing a tax shelter for the \$110-billion savings and loan association and mutual savings bank industry paying annual Federal taxes in 1959 amounting to only \%0 of 1% of net income after the payment of dividends and interest. Such a tax shelter at a time of grave national peril cannot be justified, he declared.

He pointed out that many American families of relatively modest means pay more Federal income taxes than the average savings and loan association.

Is a Subsidy Necessary?

The greater part of Dr. Walker's testimony was addressed to refuting the charge that the fair taxation of savings and loan associations and mutual savings banks will adversely affect the flow of funds into home mortgages.

The effect will be slight, he said, adding: "There is no creditable evidence to indicate that even a single home will go unbuilt as a result of legislation to insure that the mutual financial institutions bear their fair share of our expanded defense costs."

At another point he said: "We refuse to believe that the strength of the housing industry depends upon a hidden tax subsidy to a favored group of financial institutions. Tax laws should not be used for discriminatory subsidies; if subsidies are needed, let them be frankly and forthrightly bestowed rather than hidden in the tax structure."

Impact on Mutual Rates

Dr. Walker made three points on the impact of taxation on future changes in dividend and interest rates of the mutual institutions. These were:

(1) The mutuals will try to avoid reducing rates to savers by reducing instead earnings currently retained.

(2) Closer attention will be given to reducing costs—to lessen any impact on dividend rates.

(3) Increased taxes will be offset so far as the impact on dividend rates is concerned by the rising average return on mortgages.

Dr. Walker characterized the hous-

ing issue as "the last refuge of those who would avoid their fair tax load."

With only a weekend intervening after the hearings, the Ways and Means Committee went to work August 14 to write a tax bill. Although most of the tentative decisions were announced July 20, the committee had to settle on the legislative language—and it still had to decide whether there would be a tax bill this year.

After the postponement of two executive sessions, August 21 and 22, at which Mr. Dillon was supposed to testify, the committee let it be known that a tax bill is dead for this session.

The Administration discovered that the 8% tax credit incentive did not win the business support it was designed to bring. Furthermore, the unexpectedly sharp upturn in business is improving the Government's revenue situation, although not by any means enough.

Pressure Was Applied

Congressional mailbags have been loaded for weeks with letters from constituents aroused about the possibility of a cut in their savings dividends. The mail has been heavier on this issue than on any this session, even greater than that on Federal aid to education, which was a high. This is a formidable pressure.

On the other hand the leadership of the Administration in the international crisis is being supported in Congress. The Administration is firmly committed to plugging this loophole for the mutuals—and it badly needs the revenue to present the balanced budget it promised.

A Long, Hot Summer

As much as Congress likes to think about Labor Day as the end of the session, that would seem to be difficult in view of the tax bill. Chairman Harry F. Byrd of the Senate Finance Committee has promised to hold hearings if the House sends over a tax bill. That could hold Congress here until October. And with the international situation in such turmoil, it is more than likely that Congress will still be here.

Two More Tax Items

There are two other important features of the tax package that must be reported in this column. One is withholding on interest and dividends and the other is a system of taxpayer account numbers. such

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Ways and Means announced July 14 that it tentatively approved a withholding tax of 16\%3\% on interest and dividends with the understanding that all minors' accounts and all persons who would file a statement that they are not subject to payment of a Federal income tax would be exempt from withholding.

This calls for a withholding system with exemption certificates, which has special problems. Ben C. Corlett, director of the A.B.A. Washington Office, has asked Mr. Mills for a hearing to go into some of those problems. They were not touched earlier because Treasury proposed that the withholding system be across the board without exemptions. Congressional mail on withholding is also heavy.

The taxpayer account numbering system that the committee has tentatively adopted is based on Social Security numbers. This is in anticipation of the time that automatic data processing will screen returns.

Other Legislation

Legislative proposals to increase the maximum percentage of capital a commercial bank may invest in Small Business Investment Companies appear desirable but should have the approval of the Federal bank supervisory agencies, the American Bankers Association testified at hearings early in August.

Arthur F. Maxwell, chairman of the A.B.A. Small Business Credit Committee, appeared before subcommittees of both the Senate and House Banking and Currency Committees on bills by Senator Sparkman (D-Ala.) and Representative Patman (D-Texas) designed to channel more funds to small business enterprises.

Mr. Maxwell, who is also president, The First National Bank of Biddeford, Biddeford, Maine, said: "Before an increase is made we feel the Congress should have the benefit of advice from the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, particularly with regard to the amount of increase."

The Association also has endorsed legislation to encourage the establishment of voluntary pension plans by self-employed persons, and suggested certain amendments to enable such funds to be managed to the greatest advantage of these citizens.

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In a statement to the Senate Finance Committee, Cecil P. Bronston, chairman of the Committee on Employees Trusts of the A.B.A. Trust Division, commended the simplicity in approach of a bill S. 59, introduced by Senator Smathers (D-Fla.). He also commented on the companion measure H.R. 10, introduced by Representative Keogh (D-N. Y.), which

has already passed the House and suggested the need for two changes in that form of the legislation.

Proposed Section 401 (a) (3) of the House bill would impose certain restrictions on payments to beneficiaries (distributions) which would apply to all qualified pension and profit sharing trusts, and not merely those in which owner-employees are involved. Mr. Bronston suggested in his statement that this section be completely deleted from the bill until a study of its ultimate effect can be made.

The second proposed amendment deals with the definition of "prohibited transaction," which, the statement holds, is too restrictive and not in keeping with the rule of reason in the conduct of our citizens' affairs. The A.B.A. suggested that the provision of the Senate bill on this subject is more realistic.

"What Happened to Our Intestinal Fortitude?"

(The following letter was written by J. W. Jones, executive vice-president, Merchants and Miners National Bank of Oak Hill, West Virginia, to the Fayette Tribune. It was reprinted in The West Virginia Banker. The question is asked: Where has the "intestinal fortitude" gone that was so evident in our forefathers, who dug a living out of these hills before there were any coal mines?)

Dear Editor

When I ride around Fayette county and see the hundreds of acres, not under cultivation, not producing anything, and remember the "Hue and Cry" going on about our NEEDY at this time, I become seriously concerned for the future of America. If all of this good land was in China or Italy, it would be producing a lot more food than the NEEDY of this area could consume. I guess the difference is, that in those they MUST WORK or go hungry; here it is different. They don't have to work unless they feel like it and can find the kind of work they like-our paternal government and others will feed them in order to perpetuate themselves in office

Where has the "intestinal fortitude" gone that was so evident in our forefathers, who dug a living out of these hills before there were any coal mines? Have our people become a generation of sissies or quitters?

Lincoln said something over 100 years ago that our country could not continue to exist—"Half Slave and Half Free." I wonder sometimes how long we can continue to exist, with one-third to one-half loafing, or unemployed, and living off the one-half to two-thirds who are working and producing the living for all of us? We are going further and further in debt

yearly in our present welfare state program. We are now 300 billion dollars in debt nationally, and have borrowed from the next 10 generations to keep this "fools paradise" going. When are we going to wake up, face realities, and live within our national income yearly, and pay off some of this tremendous debt? Of course, this cannot be done with one-half to two-thirds of our people working and the other half to one-third doing nothing—not even raising subsistence gardens in a land where good food can be raised so easily.

Perhaps you might want to ask me what I know about agriculture or farming?

Well, I was reared on a tobaccowheat-corn farm (not too fertile) something over 50 years ago. I was the oldest of nine children. My father was a hard working, God fearing man; his cash income per year would run between \$300 and \$1,000, varying some with the years. None of our family was ever hungry for any length of time, nor did we lack warm clothing in winter. However, everyone of us WORKED. At seven years, I was doing quite a lot of work in the fields, especially during harvest, and in the tobacco fields. At nine I handled a 20 Oliver chilled plow turning sod land, and plowed corn (12 acres) three times during one summer when my father was ill. From age 12 on I was doing a man's work in the fields in summer; and the day began at sun-up and ran until sun-down, something over 12 hours per day. When I was 15, I cut 20 railroad cross-ties and hauled them to the railroad 12 miles away, selling them for 50 cents apiece, and bought myself my first suit of long trousers. We grew just about everything needed for a family of that time, with exception of salt,

sugar, coffee and clothing. As a youngster I have walked two miles to a country store with a basket of eggs, and traded them for sugar or coffee.

No one in those days expected any DPA, state aid or help from the country if they were hard up. The family that accepted any help of that sort would have been disgraced forever. Neighbors did help each other out of rough spots if someone was sick and unable to work—no money expected; nor would it have been accepted if offered. Every family was proud of its ability to live off the land and to help others at times.

I do not regret that I was reared under conditions mentioned above. I believe it added stamina and determination, along with the intestinal fortitude mentioned above to meet the problems of life without griping or quitting when things get tough.

My sympathy goes out to the older people, unable to work and without sufficient pensions or social security for the necessities of life, but I feel that every able bodied person should produce something, if only a few vegetables for subsistence purposes. The Scriptures frown on slothfulness, and I'm quite sure it accounts for a lot of our troubles today.

In view of my somewhat critical attitude about our people of today, and possibly of your paper for playing this local situation up to "high heaven" for the national press, I hope that you will publish this letter and give it some prominence. At least, I have had the satisfaction of writing it, and I think the situation is so bad that if I can wake up a few people to the sad economic, moral and quitter attitude of the times, I may have accomplished some good.

Sincerely, J. W. JONES

GEOFINANCE U.S.A.— Banking's New Dimension

These next few instalments of Banking's AMERICAN Story will deal mainly with the growing impact of transportation on bank services and opportunities. A few years ago, the story to be unfolded here would have seemed fantastic. A few years hence, it will be commonplace.

Closely related to the transport revolution is the rapid advance in communications, but the modern electronic miracles have been getting plenty of attention recently. Less in the spotlight—much less—have been the giant strides in transportation which are a primary factor in opening up vast new prospects and in expanding the horizon and the thinking of banks everywhere.

As a result, the decentralization of business and living is accelerating, and this will greatly affect the pattern of bank services and operations in ways that we can't wholly foresee.

Curiously, at the same time, this transport revolution is causing an opposite trend—centralization of certain headquarters functions and the elimination of branch warehouses and other installations.

100 Years

The coming Centennial of the Dual Banking System provides a timely background for the most exciting chapters of this story. Centennials are always an occasion for looking back, but they can also be a time for thinking ahead.

The American banking system, with its unique pattern of state and national banks, has lived through some great epochs but the greatest of all, perhaps, is just ahead. It won't happen by itself but the opportunity is here.

In fact, the air freight people are making quite a point in their advertising of the question: Why scatter facilities so widely when you can get your goods and yourselves from one place to another so quickly?

Highway Effects on Marketing Areas, Central Business Districts

(From the 87th Congress, 1st Session—House Document No. 72, "Final Report of the Highway Cost Allocation Study", Letter from the Secretary of Commerce, January 23, 1961)

In the latest report of the Commerce Department on the economic effects of new highways there are two items which seem contradictory and call for comment.

One has to do with the expansion of marketing areas as a result of improved highway facilities, also the effect on central business districts. It says:

"The future of the central business districts of our large cities in an automotive age has caused much concern. While highway transportation has been generally advantageous to central business district development in the past, current highway influences are not beneficial to every type of activity previously existing in central business districts. To some observers the mushrooming of suburban shopping centers may spell diffculty for certain kinds of downtown business enterprises."

The other reference is to the effect of new highway facilities on banks located in central business areas. This says:

"Banks appear to be continuing to maintain their position as a strong central-business-district function. In a recent survey of 20 cities, the central-business-district's portion of the city's banking activity, as measured by bank deposits, was found to be continuing with little change. From 1946 to 1956 the portions of city bank deposits which were in central-business-district banks changed very little, less than 4 percent shifting from central business districts to outlying areas.

"In contrast to deposits the number of banking establishments in central business districts relative to outlying areas appears to have declined. Four-fifths of the new banking establishments in the 20 cities surveyed were located in outlying areas, changing the portion outside the central business district from 40 percent in 1946 to 51 percent in 1956. This establishment of banks in outlying areas no doubt reflects the attention being given to the public accessibility of banking facilities."

The apparent conflict between these two statements is largely a result of the fact that the report on banking is based on deposits and not services. In other words, the centrally located bank still holds the bulk of deposits although outlying branches perform more banking services. Obviously this situation can change radically in the next few years.



The Changing Face of One Community—One of Hundreds

Above is a recent air view of Columbus, Ohio. Here is what you see:

- (1) The Ohio Stadium (82,000 capacity) and to the right the OSU campus.
- (2) Site of new "electronic" post office chosen because of excellent rail and highway facilities.
- (3) Site of Sears-Roebuck warehouse planned to service all of central Ohio because of improved rail and highway facilities, or it may be used for a new union station.
- (4) Adjacent to highway, a "close-in" branch of the City National Bank.

- (5) Site of proposed CNB processing center, close to expressway.
- (6) Along all expressways slums have been cleared and land will be used for manufacturing and distribution.

Railroads have been instrumental in bringing new plants and branches to this area at the rate of several hundred yearly, aiding in every way, even to credit facilities. The same is true of utilities serving the region. A recent

The same is true of utilities serving the region. A recent full-page ad of the American Electric Power System in the Wall Street Journal showed a map of the territory and said:

"Within this industrial area we offer a one-stop 'shopping' service to help you choose from a large selection of excellently situated plant locations."

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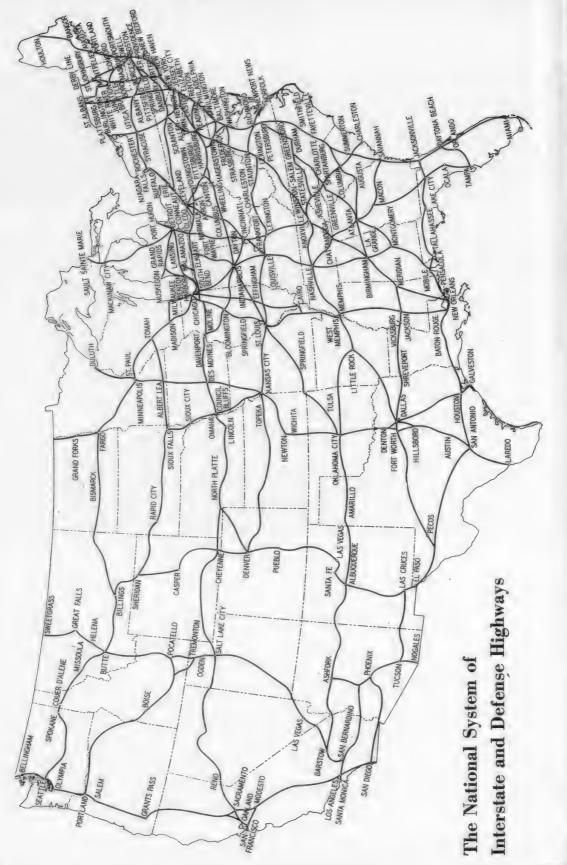
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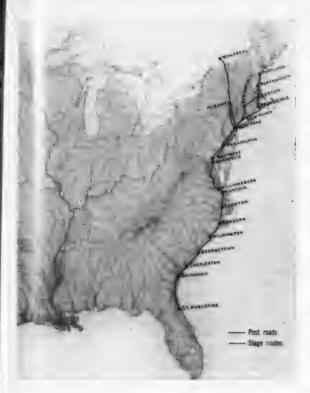
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New Main Street

E. R. is at his desk inspecting a picture. E. R. is head of his bank and any resemblance to other bank officers is strictly intentional.

On the office wall is an old picture of his community in its early days, but that is not the picture that interests him at the moment. By nature banks are often steeped in history, but bankers today, by nature and necessity, are more likely to be steeped in the future.

In this instance, our man is looking at a portrait of tomorrow in the form of an air view of some curves and curlicues in the new Interstate Highway at the edge of town. He is not overlooking other transportation developments. It is the complete picture of spectacular transportation progress that claims his close attention.

Let's step in and meet him, because what we'll hear is something that is probably being talked about in communities all over the country.

This is Everett D. Reese, chairman of the City National Bank and Trust Company of Columbus, Ohio, and chairman of two other banks in that area, the Park National of Newark, Ohio, and the First National of Cambridge, Ohio. With him, studying pictures of the new belt systems connecting all highways into the city, is John G. McCoy, president of this bank, treasurer of the Columbus Development Commission, and a leader in providing the commission with vigorous professional direction under Robert Mott.

"One way to visualize the truly colossal nature of what is happening to land transportation at the moment and its economic impact," says Mr. Reese, "would be to pinA contrast with the map on the opposite page is the one to the immediate left, showing public post roads and main stage routes in 1774. This map is reproduced from Atlas of the Historical Geography of the United States, published in 1932 by the Carnegie Institution of Washington and the American Geographical Society

point the picture, for example, here in Central Ohio, and take a close look at it." Several years ago, Ev was President of The American Bankers Association, and anyone who has been through that arduous experience gets to know all parts of the country firsthand.

"Columbus is at the junction of 70 (old Route 40) and 71, two main links in the Interstate System. All highways eventually will connect with each other in a national network, but, thinking in terms of this area, 70 runs from Indianapolis and Dayton to Pittsburgh, and 71 from Cleveland to Cincinnati. Actually, 70 is an eastwest, coast-to-coast highway, starting in Baltimore (70 North) and Washington (70 South) and continuing on through Ohio to Denver, Salt Lake City and across Nevada to the West Coast.

"The even numbers all over the nation run east and west, the odd numbers, north and south. The Federal Bureau of Roads people say that by 1972 a person can drive from the Atlantic to the Pacific without encountering a red light, although that sounds like quite a feat of endurance.

"Our Columbus belt systems—there are two of them, inner and outer—will connect all highways with adequate access and exit facilities and provide hundreds of locations for branch plants, warehouses, distribution facilities, and residential areas in convenient, less crowded neighborhoods.

Bankers Are Key Persons

"I agree with what Secretary of Commerce Hodges told Banking's Washington correspondent the other day, that bankers are key persons in all kinds of area development by providing credit and leadership.

"Banks compete among themselves, of course, and with other financial institutions. But banks also work for the general improvement of their communities, because whatever helps the area to become more prosperous and livable helps the banks.

"An interesting point on the map at this time is Cambridge, Ohio, a city of about 17,000 population. It happens that two main highways of the new national system, 77 and 70, cross just outside of town. Route 77 is part of a throughway connecting Cincinnati and New York City via Pittsburgh. You can imagine, throughout the country, how many scores of such New Era Crossroads in open country are being created.

"Right on the job is the Cambridge Chamber of Commerce, with its President Bob Gay, who is also president of the First National Bank, and Dale Abbott, chairman of the Highway Committee. The first goal of this hard-working committee is to see that the location of the highways is in the best interest of the Cambridge area.

"A good working example of what is happening is the new distribution point of General Electric at Concord, near Cambridge. GE carefully chose a site adjacent to both highway and rail facilities. Replacement parts for all kinds of home equipment are brought in rail carloads to this point for local, area-wide distribution by truck."

The Changing Financial

and Business Map

The expansion of bank services from "the few to the many" has been paralleled by another kind of expansion that is geographical. Every bank is thinking in longer terms of the future and, fortunately, our correspondent banking system seems made to order for this expanding opportunity. For one thing, with faster air and land transportation a city bank can house all its mechanical operations in a location where space is less costly and can provide expensive computer facilities to branches and to smaller correspondent banks some distance away.

Also, small banks can serve local units of national concerns more adequately because of the closer ties with city correspondents, made possible by new transportation facilities.

New Term with Old Meaning

New conditions often call for new words and definitions. Geofinance might describe what is happening. This may be a new term, but its meaning is old—an amalgam of movement and money, plus the new dimensional thinking that is necessary today to achieve economic growth.

The geography of banking and business has always coincided closely with the changing picture of transportation. The difference today is in the greater scope and speed of the changes.

The historical eras of transportation in this country overlap quite a bit, but they are still identifiable—the river period, trails, postroads, canals, railroads, highways, and airways.

Because the speed and ease of transportation are increasing at an unprecedented rate, the impact on banking and business is also unprecedented and to a large extent unpredictable.

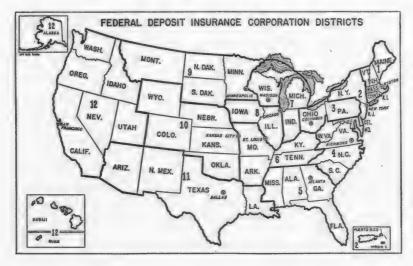
Bank Deposits

Metropolitanization of the United States is Research Monograph (No. 2) by Jerome P. Pickard and published by the Urban Land Institute, 1200 18th St. NW, Washington 6. D. C. This map shows the relative concentration of financial activity in 70 areas. The study measures the areas in six ways, of which banking is one. The other five are newspaper circulation, wholesale trade, retail trade, manufacturing, and Federal Government. The publication contains a vast amount of detail on each, and projections. It is available from the Institute for \$4.00.

In the introduction of his monograph Mr. Pickard says: "By the year 2000, with normal population growth, the United States may contain 320,000,000 inhabitants—over four times its population at the beginning of the present century. Ten gigantic super-metropolitan areas will contain 107,000,000 people—one-third of the nation's population! Another 40% of the American people will reside in about 285 metropolitan areas having populations between 100,000 and 5,000,000. Cities and urban areas of smaller size will contain about one-half of the remaining population. Urbanites will compose about 85% of our national population.

"This vast urban growth means not only more people, but more people in larger numbers concentrated in a relatively limited number of metropolitan areas. The great growth of metropoli and super-metropoli will add a new dimension to American society. The city with its diversity of people, its complex economic, social, and physical structure, its dependence upon all parts of the national economy, its need for transportation (both internal and external), and its vitality of growth, will dominate every section of the country.

"The impact of the horizontal growth of our metropolitan areas on land use appears destined to effect tremendous changes during the next four decades. Assuming an overall average population density of new growth areas at 2,500 persons per square mile, merely the expansion of the 300 metropolitan areas forecast for the year 2000 would consume some 55,000 square miles of additional land surrounding these centers—an area equal to seven and one-half times the entire land area of the state of New Jersey, and approximately equal to the whole state of Illinois! This potential new demand for metropolitan land during the next 40 years is equal to 2% of the entire land area of the United States."



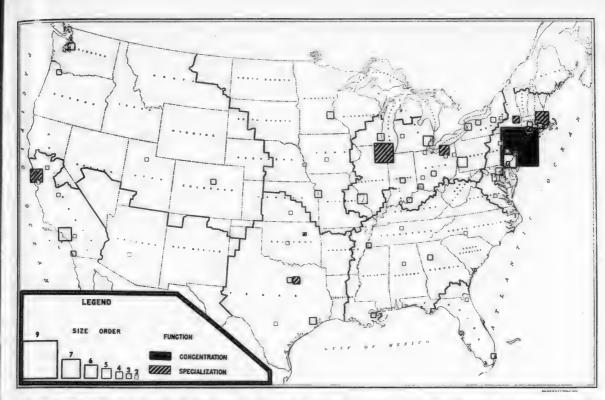
Total Assets, All Operating Banks

(Millions of dollars)

FDIC Dist	tricts	1950	1960	1970
District	1	\$ 14,899	\$ 22,866	\$ 35,093
District	21	56,676	87,582	135,341
District	3	21.880	31.089	44,174
District	4	9,521	14,640	22,511
District	5	6,323	12,504	24,727
District	6	9,782	14,468	21,399
District	7	13,090	20.151	31,021
District	8	16,513	22,857	31,638
District	9	5.089	7,551	11,204
District	10	6,730	10,221	15,528
District	11	10,797	18,999	33,432
District	122	20,941	36,004	61,902
Total		\$192,241	\$298,933	\$467,968

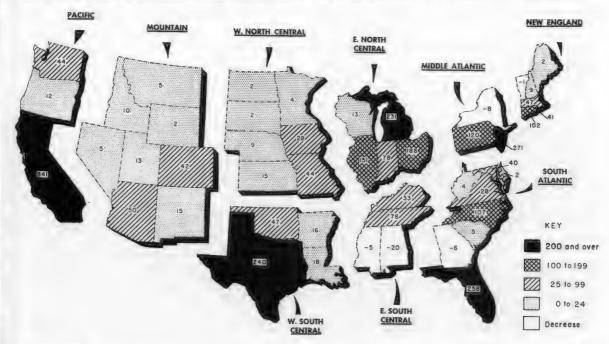
¹ Includes Puerto Rico and Virgin Islands.
² Includes Alaska, American Samoa, Guan Hawaii, Marianas Islands, and the Panam Canal Zone

Source: Annual reports of FDIC.



BANK DEPOSITS—For caption of this map, see top right corner of opposite page. "Size Order" and "Function," under "Legend," are technical terms used in population studies and require more explanation than can be given here. The size relationship of the various squares, however, is quite obvious

ANNUAL AVERAGE CHANGE IN THE NUMBER OF MANUFACTURING ESTABLISHMENTS, BY STATES, 1947-1958—For the United States as a whole the average annual increase in the total number of manufacturing establishments between 1947 and 1958 was 3,231. This map comes from a study, *Postwar Trends in Industrial Location*, by Victor Roterus, director, Office of Area Development, Business and Defense Services Administration, U.S. Department of Commerce



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Tracks and Trucks

A familiar and disturbing phenomenon of the day in this country, where practical horse sense is considered an inherited trait, is the overcrowded highway alongside of quiet under-used railways. This is a source of untold waste in time, manpower and opportunity.

Often paralleling each other, we see highways, especially near cities, filled bumper-to-bumper with commercial and private vehicles, while nearby are railroad rights-of-way so empty and peaceful one could drive the cows home between the tracks and between trains.

Perhaps the time has come for the birth of a great and, naturally, obvious idea. Why not put more of these highway behemoths on steel tracks instead of rubber tires, so that they would have a chance to move?

Trucks and bus-type vehicles can often be made to fit the rails, but not the rules of labor unions and some dusty decisions of the Interstate Commerce Commission. Eventually the various ways of moving people and goods should be appropriately integrated and it should come

A New Industrial Revolution, Too

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The fact that a revolution in transportation is taking place simultaneously with a great new industrial revolution only compounds the challenge and the opportunity,

The decentralization of new industries and branch facilities poses banking problems of an unusual kind requiring some practical solutions. For example, branches or affiliates of national concerns are too often prone to maintain only the barest minimum balances with local banks, while surplus funds are syphoned off by the head-quarters office for investment in Government securities or as time deposits at city banks.

The services that a local bank can provide any business customer are essential, but the bank needs funds to make these services possible, for, say, mortgage and other loans to branch employees. A branch facility of a national concern is a part of the community where it is located, and it should act like a part of the community, by maintaining an adequate bank balance locally. This aspect of the story will be examined more closely later on.

COMMUNITIES LINKED A CENTURY AGO (Below)

Beginning in the early years of the last century, the canal systems of some of the states brought accelerated economic development to large regions. Farmers were provided a better means of reaching their markets, and industries sprang up along the canal routes, establishing a pattern that is still in existence today. In Ohio alone at one time there were 648 miles of canals proper; and the Erie Canal in New York State was over 500 miles long. One of these picturesque trade arteries, the Ohio Canal, is depicted in a mural by Dean Cornwell, N.A., in the Coshocton (Ohio) National Bank. A portion of the mural, "Canal Days," is shown below, left.

A few years after the Civil War, in 1869, a locomotive from Sacramento and one from Omaha "touched noses" in the famous Golden Spike ceremony at Promontory, Utah, shown in the photograph below, right. This linking-by-rail of East and West was one of the major events of United States history. Our transcontinental railway system was the bone structure of our economic growth in the decades that followed.

Greatest Public Works Project in History

The future of every community, bank, and business will be affected in some degree by the 41,000-mile national highway network scheduled for completion by 1972. Some estimates say as much as a fourth of it is already in use, and the whole project will cost more than \$100-billion. Together with the extraordinary technical progress of the railroads, airlines and water routes to-

The Big Move Is Just





day, the whole picture has an explosive character of enormous significance.

The latest report of the FDIC has this to say:

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"For large business concerns it seems quite probable that there has been an increase during the past 40 years in the competition among banks for their business. That is to say, the larger banks, mostly located in large cities, compete with each other for the patronage of concerns doing a nationwide business. With the greatly increased facilities of transportation and communication of recent years, there is more competition of this sort now than formerly, regardless of the changes which have occurred in the number of banks or the number and location of banking offices. . . .

"It must also be recognized that, though we have a changing economy that increases the need for banking services in most parts of the nation, some localities are adversely affected and as a consequence some independent banks are destined to disappear. New highways, particularly those with limited access, may divert the patronage of some local banks to other places because of changes in the flow and routing of traffic. Working forces of an industrial establishment that formed a significant part of the clientele of a local bank may be curtailed because of technical developments, or disappear entirely with the closing of a plant. Absorption of the remaining business of a local bank caught in such a situation may be the only reasonable solution to its difficulties."

The method of raising the money for the highways—the greatest single public works project in history—and how the cost will be apportioned between state and national funds, is a story by itself and one that bristles with sharp controversy. The conflict on rates between railroads and trucks is severe and complex, but that is not a part of this study. Eventually, let's hope, the giants of transportation will find a way to work together for the good of all.

Emphasis here is going to be on land transportation, both highways and railroads, because these two have economic impact that is somewhat similar and comparable. First attention will go to the new highway system,

Starting. Look Around

because it is in the process of being built on an enormous scale. Railroads are not increasing their mileage, but they are aggressively stepping up efforts to make more use of their facilities and, in order to cut expenses, they are merging at a rate that will soon bring us down to a dozen or less large systems.

Railroads Are Not Supplanted as Main Economic Arteries

So, while highways and other newer means of transportation are the most lively element in shaping today's geofinance, the railroads have been and still are the main arteries of our economic life. The past hundred years have seen to that. Through their advertising and other promotional efforts, many of them are working just as hard now to bring people and industries to their neighborhoods as they did when tracks were being laid through the hills and open lands.

The impact of airways, air freight especially, is different from that of land transportation. Air transport often makes possible a reduction in the number of distribution centers, while more convenient road and rail facilities stimulate the trend toward decentralization.

COMMUNITIES "PACKAGED" FOR TODAY (Below)

Just as most towns and cities in the past have been built along convenient routes of travel, new communities will appear along the Interstate Highway System.

Twin Parks, Ohio is said to be the first of its kind—a city planned for the open countryside of North Central Ohio and to be built to serve the needs of east-west motor travelers along highway 71.

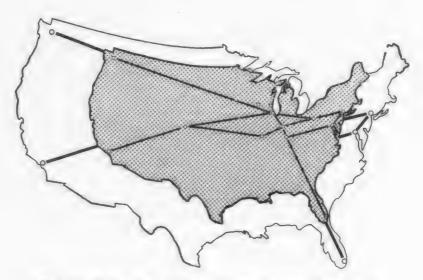
J. Marshall Miller, associate professor of planning in the School of Architecture at Columbia University, headed the work of developing plans for Twin Parks.

"Within the next 20 years," says Professor Miller, "there will be a vast network of high-speed inter-regional super-highways in the United States constructed from coast to coast that will have a revolutionary impact upon all movements of people and goods, and new patterns of land use adjacent to these routes must and will be created. . . .

"... By 1975 there will be 100,000,000 vehicles on the highways in the United States. Compared with the new highways the present main traffic arteries are obsolete ... The apparent solution to the servicing problem is to create a series of areas in conjunction with the new highways which will supply total service. ...

"... an industrial park is a most compatible neighbor to a motor park.... The combination of two motor parks and two industrial parks... a new community with Twin Parks at its heart."





This map shows how the new highway system shrinks driving time

Coming Changes in

Bank-to-Bank and Bank-to-Customer Relationships

This is only a brief preview of the next epoch in geofinance arriving all dressed up aboard the new industrial and transportational revolution. Banking's boundaries have long been worldwide, so there is nothing new about geofinance except that present-day changes affect the bank down there on the corner.

In subsequent issues, BANKING will fill in with a few practical details to bring the picture into sharp focus; for example:

- (1) National growth figures presented on a per capita and regional basis.
- (2) The importance of banks in financing private and public works.
- (3) Why some areas grow faster than others and how a bank can determine where it fits in the picture.

- (4) Where national concerns are locating branch plants, warehouses and distribution facilities.
- (5) What services these concerns get or expect from local bank connections, their feelings about service charges, and so on.
- (6) How the banks feel about these relationships. The policy of some concerns in siphoning off balances for investment in Government short-terms or time deposits of city banks.
- (7) New problems banks have in locating branches because of changing transportational patterns.
- (8) Opportunities for cooperative use of expensive electronic equipment by speedier transportation.

What the State Associations Are Doing About Pension and Insurance Plans

Retirement Programs . . . Profit Sharing . . .

Group Life Insurance . . . Medical Coverage . . .

JOHN W. RIDAY

With an eye on competing more effectively in the labor market and improving employer-employee relationships, an increasing number of state banking and mutual savings banks associations have been setting up detailed employee fringe benefit programs for their member banks, or have at least strongly recommended that each individual bank adopt a plan of its own.

In order to attract the best personnel, reduce employee turnover, and realize higher production and efficiency, more and more state associations have adopted, or intend to adopt, plans for employee retirement, deferred profit sharing, group insurance, hospitalization, and medical care. A good number of the associa-

tions now have plans in operation for each one of these benefits, while others may have just a retirement plan or only group life insurance coverage.

The state associations reporting that they have set up some sort of program in all three areas, retirement, life insurance, and medical care are: California, Illinois, Minnesota, Mississippi, New Jersey, New York, Washington, West Virginia, Wisconsin, and the Savings Banks Association of Connecticut.

In most states any participating bank may modify the plan drawn up by the state association to fit its own needs. In the words of Floyd Call, executive vice-president of the Florida Bankers Association: "The [pension] plan is quite flexible in that most any formula can be used as would be desired by a participating bank."

Where the state associations have adopted certain plans, usually the member banks may or may not elect to participate. A good number of the member banks in many of these states, however, have become participants, with many discarding previous individual programs.

Even where the participation is low, the associations still feel the effort was well worthwhile, as expressed by Ralph Fontaine, executive secretary of the Kentucky Bankers Association: "Although only two banks actually adopted one plan or another, we feel the efforts of the

Many state banking associations prepare attractive booklets and brochures for distribution to new employees in member banks, encouraging their participation in the various pension, group insurance, hospitalization, and medical plans



association paid great dividends. Since our study was made and offered to our member banks, more and more banks have worked out their own pension programs. We know that the work of the association was very helpful to them and has done much toward stimulating action on the part of many of our Kentucky banks in the field of pension and retirement plans."

Quite a few of the associations also have made provision for any eventual dissatisfaction with the plans they have devised by allowing any participating member to withdraw at any time.

Pension Plans Inexpensive

The adoption of a statewide retirement plan for bank employees got its start in the mid-1930s, with New Jersey and Washington among the earliest, but it was not until well after World War II that the greatest number of state association plans now existing were initiated. These associations came to realize that as time went on it became more and more difficult for employees to save up for that "rainy day" on their own, what with high taxes and exorbitant living costs, so they set up retirement plans that would meet Treasury requirements for tax benefits. These permit the banks to buy more in the line of retirement benefits, since costs are cut to a minimum.

Although most of these state association retirement plans were established primarily to extend benefits to the employees of the smaller banks, which would probably be unable to bear the expense of separate plans, all member banks, large and small, are eligible and in most cases urged to participate.

In some states the associations require that a certain proportion, most commonly 75%, of eligible employees in a member bank must apply for pension coverage before that bank can become a participant. Among these are California, New Jersey, and West Virginia, plus the Savings Banks Association of Connecticut. As a matter of fact, the Washington State Bankers Association requires that all employees of the participating bank must enroll.

The eligibility of the employee for retirement benefits usually is governed by minimum and maximum age requirements and by certain rules regarding length of continuous

Two Banks Set up Pension Programs

RETIREMENT plans for the employees of their correspondent banks are offered by several large city banks—for example, Manufacturers Trust Company and the Chase Manhattan Bank, both in New York City—with each acting as the trustee for its respective plan. These programs were set up primarily for the smaller correspondents, which probably would be unable to afford plans of their own.

As with most of the programs devised by the state banking associations, these are very flexible, varying greatly from bank to bank. Each participating bank is urged to fashion the plan to meet its own needs as to employee eligibility, employee contribution, benefits, and early retirement.

In some areas these programs will perhaps help ease the burden of the state associations in promoting such benefits in their member banks.

service at the time of application. In most cases the applicant must be at least somewhere between 25 and 30 years of age, but no older than 60. In addition, most plans require that the applicant has completed at least one, two, or even three years of continuous service immediately prior to enrolment.

Size of Pension Payments

Most of these state association retirement programs require retirement at the age of 65, often 60 for women, at which time the retiree begins receiving a monthly pension payment, the size of which depends on length of service, salary upon retirement, and the amount of employee contribution to the plan, if any. Some plans, such as those in Alabama, Maryland, Mississippi, and New Jersey, provide for early retirement, where the amount of the monthly payment is reduced.

It is interesting to note that, besides offering a pension plan that is pretty much in line with the above, The Savings Banks Association of Massachusetts has devised two other plans that may or may not be adopted by participants in addition to the regular basic plan. One of these takes into account lengthy past service of employees prior to the date the individual bank joined the plan. The other provides for a sizable increase in pension benefits for employees that have completed 25 years of continuous service within the banking field.

Some state association retirement plans require that the participating bank assume all of the cost, as in California, Florida, Iowa, and Wisconsin, as well as the New Hampshire Association of Savings Banks. In Kentucky, Mississippi, Montana, and Texas this is optional, while most of the others require that the employee contribute. to

In cases where there is employee contribution, the amount is based on salary, perhaps 1%, 2%, or 3%. The bank is usually required at least to match this or contribute two or three times as much. Most of the associations leave this up to each bank.

Additional Coverage

As part of the regular pension plan, or as an additional optional plan, a few state associations, such as in Florida, Mississippi, New Mexico, and Texas, have provided insurance coverage for accidental death and dismemberment, either prior to or after retirement. Leigh Watkins, Jr., secretary of the Mississippi Bankers Association, stressed the value of a plan of this sort when he said: "The employers who have provided the plan did so because they realize that its benefits will insure security to the employee when his years of fullest usefulness are over. The attitude of these banks has been that of providing a reasonable competence to a valued staff member when he retires, and to protect his loved ones in the event of his death before his career is ended. . . . Therefore, the plan is made available to our many banks and their employees with complete confidence that it is the answer to one of our most important problems one which Mississippi banks, being primarily small institutions, would find difficult to meet individually."

While in most cases an association committee supervises the investment (CONTINUED ON PAGE 132)

Bank Merger Issue Debated

While the Federal Court ponders, different views on bank mergers are aired, with many witnesses testifying in favor of the union of two Philadelphia banks.

As reflected in the pages of the Congressional Record, bank mergers are still a very controversial subject. Outside of Washington, the case before the U.S. District Court in Philadelphia on the proposed merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank has held the attention of the banking world.

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On July 20 Senator A. Willis Robertson, chairman of the banking committee, made a short floor speech in which he rather sharply differed with views on bank mergers expressed in June by Governor J. L. Robertson of the Federal Reserve Board. The Governor, speaking in Michigan, had expressed doubt that the issues in the Philadelphia and Lexington cases "can be settled otherwise than by legislation," The Senator challenged the Governor's views, especially the view that the antitrust laws apply to banking despite its status as a "regulated industry." The Senator maintains that the Supreme Court will not rule that the Sherman Act applies to bank mergers; banking, he adds, "is not commerce."

Senator Opposes More Legislation

Senator Robertson "cannot agree" that further legislation will be needed. "We knew when we wrote the act that we were leaving wide discretion to the informed judgment of responsible and capable experts. . . . The bank supervisory agencies should be given a real opportunity to administer the Bank Merger Act as Congress wrote it." he told the Senate.

In the Congressional Record of July 27 Congressman Emanuel Celler, chairman of the Judiciary Committee, said: "I cannot allow the Senator's statements to go unchallenged." Rep. Celler quoted a number of passages from the debates and reports on the Bank Merger Act, including statements of the Virginia

Senator himself, to the effect that the merger act "would not affect in any way the applicability of the Sherman Act to bank mergers or consolidations"; neither the Sherman Act nor the Clayton Act.

Rep. Celler said that Senator Robertson's conclusion as to the intent of the Congress concerning the applicability of the antitrust laws to bank mergers "is at direct variance with his own contemporaneous statements made when the bank merger bill was being considered by the Senate in 1959."

Merger Bill Would Not Affect Sherman Act

On July 28 Senator Robertson rose on the Senate floor to introduce in the record an exchange of letters with Governor Robertson. The Governor wrote to the Senator to clarify their difference. The letter quoted from Senate and House committee reports gave their assurance that the bank merger bill would not affect the Sherman Act in the least. If it is undesirable for bank mergers to be subject both to the Bank Merger Act and the Sherman Antitrust Act, the Governor explained, Congressional action will be needed.

The Senator replied, agreeing that, at the time the merger act was being considered, it was generally assumed that the Sherman Act applied to bank mergers; but, the Senator continued, in 70 years the Sherman Act had proved entirely ineffective to control bank mergers. Besides, the Bank Merger Act created no exceptions to the Sherman Act. "It was expected that the Bank Merger Act would be the controlling law on the subject, though no effort was made to waive any application which the Sherman Act might be found to have."

The Philadelphia trial continued into August. One witness was Llewellyn A. Jennings, former First Deputy Comptroller of the Currency and now senior vice-president of the Republic National Bank, Dallas, Tex., the biggest bank in the Lone Star State. Mr. Jennings argued for the merger. The present \$8,000,000 lending limit for the largest Philadelphia banks is needed to enable them to compete nationally for loans. While Philadelphia is the fourth largest city and Dallas only fourteenth, Republic National's loan limit is \$10,000,000 and its share of a national loan often is greater than that of big Philadelphia banks, he testified.

Mr. Jennings denied that the FDIC was against the proposed Philadelphia merger; that, rather, it clearly had left the decision up to the Comptroller. Had the FDIC been opposed, it would have made its position clear.

Businessmen Testify

The merger was supported by another witness, Thornton F. Bradshaw, vice-president of the Atlantic Refining Company and president of the Chamber of Commerce of Greater Philadelphia. The merger would be very helpful to the community, he held. At present, when Atlantic Refining borrows, it takes the maximum its Philadelphia bank can lend it and gets the rest from three New York banks. The company soon will need another bank with a loan limit of \$15,000,000, but no such bank presently exists in Philadelphia, where Atlantic Refining has its offices.

A vice-president of the Frankford Trust Company, a correspondent of First Pennsylvania, favored the proposed merger, saying it would not affect interest rates and service charges of other banks in Philadelphia. Frankford Trust has a large construction loan business. Six Philadelphia businessmen were other witnesses for the merger, testifying that they had had to take substantial amounts of business out of town. If

(CONTINUED ON PAGE 130)

IMF Meeting in Vienna Faces World Money Crisis

Should the United States agree to:

- raising the price of gold?
- going completely off the gold standard?
- creating world central bank?
- empowering IMF to curb money flows?

These are the questions that will face the U.S. at the conference table in Vienna.

HERBERT BRATTER

At the annual meeting of the International Monetary Fund in Vienna this month the free world will address itself to the problem of monetary reserves. More particularly, in recent years, this has been the problem of the United States and the United Kingdom, whose currencies other countries use as monetary reserves in place of gold.

Consciousness of this problem has become widespread since the heavy outflow of gold from the U.S. last fall, a result of a massive outflow of capital to Europe. The subject, however, has been one of warm discussion and debate for several years among central bankers, government officials, economists and others, here and abroad, and has featured the agenda of previous annual IMF meetings.

Since its 1960 annual meeting much work has been done within the Fund itself and by individual governments to work out a plan that will lessen the adverse effects of hot money movements on such key currencies as the dollar and the pound, as well as of the *embarras des richesses* experienced by countries like Germany with a balance-of-payments surplus.

Over the years many plans have been put forth. The oldest and best known "solution" of the world's reserve problem is that of the gold mining interests of the free world as well as Russia, namely, an increase Wiener Hofburg, historic setting of the IMF meeting in Vienna this month



WIDE WORLD PHOTO

in the official price of gold. This proposal has failed to enlist the interest of the U.S., without which it can make no progress.

Other Proposals

Many other proposals for national or international action have been offered from various quarters, such as the suggestion in this country that the required Federal Reserve goldcertificate cover of 25% be abolished and our reserve gold thus be "freed" for support of the dollar externally. The free world's attention has been concentrated of late, however, on a way of building on the existing IMF mechanism to meet sudden, and presumably temporary, international financial disequilibria arising from capital movements. Two plans in particular for modifying the IMF have received very wide airings in world monetary circles in recent years; the Triffin Plan and the Bernstein Plan. Both, it happens, have originated in this country. Other, less publicized suggestions have come from Britain, Greece and elsewhere.

Robert Triffin, of Belgian origin, is a Yale professor. Edward M. Bernstein, originally a professor, is now a consulting economist for foreign central banks and others. Previously he was the IMF's director of research. He played an important role in the formulation of the original White Plan at the U.S. Treasury during the war and in the Bretton Woods Conference of 1944, where the compromise between the White and Keynes proposals was officially adopted, to give birth to the present IMF.

Secretary of the Treasury Dillon has revealed that the U.S. has in mind something "quite similar to some of the proposals of Mr. Bernstein". Exactly what the U.S. seeks, Secretary Dillon did not say. Before we turn to the Bernstein plan, a reference to the Triffin proposals will give us the setting in which to view what is done at Vienna late in September.

Prof. Triffin takes a grave view of the adequacy of the world's monetary reserves now and particularly in the

(CONTINUED ON PAGE 140)

BETTER METHODS & SYSTEMS

Automation and Personnel Training

Suggestions for personnel training to meet the requirements imposed by automation were offered to the A.B.A.'s Western Trust Conference at Seattle by Wilfred C. Andrews, Jr., assistant vice-president, Bank of California N.A., San Francisco. Here is a condensation of his remarks.

THERE are three areas of personnel preparation for automation: (1) training people to program and operate the equipment; (2) retraining those likely to be displaced; (3) providing an information service for all other personnel in the progress of the program.

SCHOOLS. Bank of California has attempted to recruit its programming and operating staff from its own people rather than hire from the outside. For the most part, the bank had a large group competent and eager to work on the automation project. After tests, those selected were sent to the equipment

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Bank of America's electronic bookkeeping system ERMA is handling all accounting for the bank's travelers checks, which now bear coded numerals. In the photo, Executive Vice-president Frank M. Dana buys "first" checks from Teller Mary O'Connor at the San Francisco head office.

manufacturers' schools for intensive courses. Some didn't do as well as their aptitude tests indicated they would; others decided this wasn't the job they really wanted. When the programming courses were completed, the selected personnel spent much time with the departments whose work was the first to be scheduled for the computer.

RETRAINING. Perhaps most important is the retraining of people whose jobs will be eliminated by automation. But one of the more fortunate aspects of this problem is that the area of possible job elimination is the one where there is the largest turnover. These are the jobs generally filled by women who are with the bank for a short time, and natural attrition should take care of any surplus.

Staff Selection

There should be ample time between the ordering and the installation of the equipment for bank personnel officers to make a careful review for purposes of staff selection, retraining, and reassignment. Many bankers will recall similar situations with the introduction of the proof machine. It was unnecessary to take drastic steps in terminating employees because normal turnover took care of extra clerks in a comparatively short time. People retrained were sent to other departments which were growing and could use them.

A similar situation should be anticipated when automation supplies a surplus of help. The adoption of new procedures and techniques is gradual and for quite a period banks will have dual systems. When the old one is dropped consideration should be given to not replacing all employees who leave, but rather working on an overtime basis. This could

be the least expensive way of operating a dual system.

Personnel departments can make statistical studies of hiring needs for a year or so and perhaps train displaced people for the jobs that appear most often.

TELL THE STAFF. To avoid rumors and keep people from getting wrong information about automation, tell all the employees about the program. The degree of this training should be related to the individual. For example, personnel directly interested in the automation must have more intensive training than those in the fringe areas. The easiest way



Morgan Guaranty Trust Company of New York has a processing line that produces 3,000 dividend checks an hour. The new equipment (Addressograph-Multigraph and IBM) figures amounts, writes and signs check, completes tax form, and makes the bookeeping record—in slightly more than a second. The bank's stock transfer division writes 12,000,000 dividend checks a year for some 230 companies with a total of 3,500,000 stockholders. Photo shows plates being fed into processing line

to keep the staff informed is through the staff publication.

Department managers, branch managers, and branch operating personnel must be intensively trained, and in detail. They must know how the program will affect their work and their staffs. Bank of California set up meetings for them, using such visual-audio aids as flip sheets, flow charts, models, slides, and film strips to help explain the transition. Many of these devices are available from equipment manufacturers, and others can be developed in the bank.

Avoid Grapevine Rumors

"We must make each person aware of our program," said Mr. Andrews, "and dispel any anxiety the employee may have about how his or her job may be affected. I am sure most of us have no ideas of firing good people, and we must make them all aware of this. No information will tend to start grapevine rumors that will be difficult to halt and correct."



TELEVISION TIES TWO HEADOUARTERS

Closed circuit TV unites the dual headquarters of First National City Bank, New York, into a single operating unit. Through this system the bank holds daily committee meetings and customer conferences, although the individuals are separated by the four miles between 55 Wall Street and Park Avenue at 53rd Street. As pictured above, the bank's money committee uses television to establish its position for the day. Seated in the photo, taken at 399 Park Avenue, are, l. to r. Robert L. Hoguet, Jr., senior vice-president; George S. Scott, senior vice-president; James S. Rockefeller, chairman. With backs to camera are William I. Spencer, senior vice-president, and C. Sterling Bunnell, senior vice-president and chairman of the money committee

CPA Answers Excuses for Not Having Good Audit and Control

A LOOK at the excuses most often made by banks for not installing a good audit and control program gave J. H. Savage, Jr., partner in the Detroit office of Ernst & Ernst, certified public accountants, an opportunity to answer in his talk at a NABAC meeting in San Francisco.

Here are some of the excuses—and Mr. Savage's comments.

(1) "We carry adequate insurance." Fidelity insurance can never compensate for a shortage. The loss of the community's confidence, and the tragedy involving the embezzler, his family and other employees can't be measured in dollars. And insurance premiums will continue to go up unless shortages are curbed.

(2) "We already have too many examinations, from the state banking department, the Federal Reserve System, the Federal Deposit Insurance Corporation, or the Comptroller of the Currency." These examinations are not designed to reveal shortages, but to see that the banks

are complying with statutory requirements and possibly to deter-

mine the "sound capital." The weakness of supervisory authorities' examination is the failure to include a direct verification program. Until direct contact is made by the supervisory authorities with borrowers and depositors, many shortages will continue to go undetected.

(3) "Our directors make an an-(CONTINUED ON PAGE 116)



This bright mural, "Time Element," hangs in the computer center at the First National Bank of Arizona in Phoenix. At the left is a low-relief carving of an Egyptian sculpture and hieroglyph writing, at the right an Assyrian sculpture, with cuneiform writing. In the yellow-orange center are the magnetic ink numbers which are the computer's language. The bookkeepers' hands and the old ledger symbolize the essential operation the machines perform. Pictured are the artist, Jay Datus, and Carl M. Burrow, assistant vice-president of the bank's computer department.

carr m. burrow, assistant vice-president of the bank's computer department.

A.B.A. Committee

Recommendations on

Money and Credit

On this and the following pages are the recommendations of the American Bankers Association's Commercial Banking Monograph Committee, as submitted to the Commission on Money and Credit for consideration prior to publication of the latter's study, Money and Credit—Their Influence on Jobs, Prices, and Growth. (See July Banking, page 37.)

The complete A.B.A. study, entitled *The Commercial Banking Industry*, consists of 15 chapters plus a summary, conclusions, and the recommendations published here. The Commercial Banking Monograph Committee, chairman of which is Roy L. Reierson, senior vice-president, Bankers Trust Company, New York, had the assistance of a group of qualified academicians and bank officials under the supervision of Dr. Jules I. Bogen and Dr. Marcus Nadler of New York University. Also working with this committee has been the Department of Economics and Research of the A.B.A., under the direction of Harold L. Cheadle, deputy manager, A.B.A.

The Monograph Committee is now at work preparing further material dealing with the findings and conclusions of the Commission on Money and Credit. These papers will be published later this year.

I. Credit and Monetary Policy

- A. We wholeheartedly and without reservation endorse the use of countercyclical monetary policy as an indispensable part of any program designed to achieve the maximum sustainable rate of economic growth and a minimum of cyclical fluctuations; however, there has been overreliance on monetary policy alone for the achievement of national economic goals. We believe that fiscal and debt management policies can and should be utilized more effectively to help in attaining growth and stability. Avoidance of inflation is not only consistent with these goals but is indispensable to their achievement, and should, therefore, be a primary objective of monetary policy.
- B. To be countercyclical, monetary and credit policy must be flexible. If monetary and credit policy is to be flexible, interest rates must of necessity be left free to fluctuate. We therefore conclude that any policy aimed at maintaining interest rates at artificial, inflexible levels, whether high or low, is inconsistent with and inimical to the achievement of broader objectives of national economic policies.
- C. Movements in interest rates which fully reflect the conditions prevailing in the markets for loanable funds also are essential to the maintenance of the preeminent position of the dollar as the world's leading cur-

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rency and of the United States as an international financial center, which should be a major national economic goal.

- D. The rapid relative postwar growth of nonbank financial institutions combined with the absence of a more effective fiscal and debt management program, has progressively limited the effectiveness of Federal Reserve policies in controlling the total supply of credit. We recommend that a study be made to devise ways and means whereby monetary policy can be made to bear more immediately, more directly and more effectively upon the nonbank financial institutions.
- E. It is our opinion that a convincing case has not been made in support of the broader use of selective credit controls in peacetime, either as a substitute for or as an adjunct to general credit policy. Selective credit controls are extremely difficult to administer equitably and without undue and costly interference with the most desirable allocation of resources from the national viewpoint.

II. Organization of the Federal Reserve System

- A. We strongly recommend the maintenance of the present district organization of the Federal Reserve System, coordinated and governed nationally by the Board of Governors and the Federal Open Market Committee. We believe the existing allocation of authority among the components of the System should be retained, and that the present ownership of stock of the Federal Reserve banks be maintained.
- B. We recommend without reservation the continuance of the present independent status of the Federal Reserve System within the Federal Government. The proposals which have been advanced for changes in its independent status would be viewed both here and abroad and properly so, as evidence of a lack of real intent on the part of the nation to combat inflation, to pursue sound fiscal policies, and to promote real economic growth, both here and abroad.

III. Reserve Requirements

- A. We recommend that steps be taken, as soon as appropriate:
- 1. To reduce the reserves required to be held by commercial banks against demand deposits in order to enable them to play their necessary role in financing economic growth in years ahead.
- 2. Toward the elimination of the outmoded geographic differentials in reserve requirements of commercial banks and establishment of a uniform percentage reserve requirement for all demand deposits.
- 3. To eliminate or to reduce to nominal levels the reserves required to be held against member bank time and savings deposits. It is manifestly unfair to impose reserve requirements on the time and savings deposits of commercial banks when no such requirement is imposed

upon other financial institutions which compete for this type of saving.

IV. Government Credit Operations

We recommend that the following principles be followed in the operation of Government lending agencies:

- A. Credit should not be provided by Government lending agencies where adequate private credit is already available. When made available, such credit should not have the effect of perpetuating or inducing maladjustments in the economy, but rather facilitate and hasten the adjustment process.
- B. The lending operations and policies of these agencies should be more effectively coordinated with the nation's economic stabilization policies. In lending and credit guarantees and insurance operations the principle should be followed of adjusting rates to changes in market rates and to the cost of money to the Treasury. In order to reduce the subsidy element in such operations, rates should not be rigidly fixed by statute.
- C. The operations of these lending agencies should be subjected to a periodic review and examination by appropriate committees of the Congress at intervals of four years or less.
- D. The progressive relaxation of lending, guarantee or insurance standards and terms should be stopped.

V. Competitive Situation

- A. Banking is subjected to manifold and complex regulations, instituted in large part in periods of financial crisis, but retained, in some instances, long after the need for them disappeared. Failure to remove antiquated and unnecessary regulations interferes with the ability of banks to serve the economy as they should. While banking is over-regulated in many ways, other types of financial institutions are under-regulated. The public interest will be served best when financial institutions can compete on a fair basis.
- B. Consistency and assurance of competitive equality should be the standard for Government policies affecting commercial banks and competing financial institutions. These could be achieved in the following respects:
- 1. Requirements for charters—We believe that the same considerations of managerial ability, and the need for new facilities from the standpoint of public convenience should be applied to the chartering of savings and loan associations, credit unions and mutual savings banks in all areas of the United States as are now applied in chartering commercial banks.
- 2. Examination practices—We recommend the adoption for nonbank financial institutions in all areas of the United States of examination standards comparable to those applied to commercial banks.
- 3. Regulation of lending and investment—We recommend a thorough study by the Banking and Cur-

rency Committees of the Congress of the laws and regulations on bank lending and investing in order to determine whether some of them are unduly restrictive or have outlived their usefulness. In any case, we strongly urge that where applicable the same or comparable laws and regulations should govern all financial institutions doing a comparable kind of business.

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4. Provisions for reserves against possible future losses on assets-While the bad debt reserves now permitted have been adequate in recent years, it should be emphasized that, in order to make their full contribution to our economy, banks must take risks, not only at home but also in some cases abroad, where a number of banks have become involved in lending, because of their desire to assist industry in meeting foreign banking competition in accordance with governmental policies and approval. It is impossible to determine what the ultimate loss experience on such foreign lending will be. Further, our economy has not been subjected to the strains of a major recession for decades, and the rate of losses experienced over the past two decades may be considerably lower than those which banks may have to bear in coming decades if they are to pursue dynamic policies. We recommend, as a precautionary measure, the liberalization of current regulations on the accumulation of bad debt reserves.

5. Reserve Requirements-See III A.3 above.

6. Borrowing from the central bank or its equivalent—We believe that a rediscount mechanism such as is now provided in the Federal Reserve System is an absolute essential for the proper functioning of commercial banking and of central banking. We recommend that the same aims of Federal Reserve discount policies be adopted by the Home Loan Banks in the advances which they may make to member savings and loan associations and that they should be guided by the over-all monetary policy of the Federal Reserve System. That is to say, the Home Loan Banks should lend on shorter term, make fewer commitments in times of monetary restraint than in times of monetary ease, and should be lenders of last resort and not suppliers of funds for the expansion of mortgage portfolios of member savings and loan associations

7. Taxation—The tax burden of the nation should be distributed in a way which is most conducive to the optimum allocation of the country's resources and to the equitable sharing of the burden. The present tax structure, as it relates to the several categories of financial institutions violates these principles: it grants most types of financial institutions tax advantages which are denied to commercial banks, thereby artificially stimulating the growth of such institutions at the expense of banks and handicapping the effective use of monetary policy in combatting inflation. The resultant distortions in the allocation of credit produce similar distortions in the use of the nation's physical resources.

VI. Dual System of Regulation

A. We favor the dual system of banking. Great strides have been made by supervisory bodies but we stress the need for active continued efforts to achieve greater uniformity of regulatory and examination practices in the various jurisdictions.

B. We believe there is a demonstrated need for greater conformity between state and federal jurisdictions in the chartering, branching, and other regulatory policies followed with respect to other financial institutions, especially the savings and loan associations and credit unions. In the case of savings and loan association, policies of the federal agencies need to be brought up to the standards that are being followed in those states which have established sound supervisory policies and procedures.

C. In the case of savings and loan associations, especially, there is an obvious need for application of standards of liquidity and adequacy of capital funds and reserves that are applied to commercial banks, as well as coordination of Federal Home Loan Bank lending with Federal Reserve credit policy as noted earlier.

VII. Branch Banking

Bankers have strongly held divergent views as to whether unit or branch banking is the more desirable for the community and for the banking industry.

A. We believe that the statutes in several states that limit a commercial bank to one office constitute an impediment to some commercial banks in their competition with nonbank financial institutions.

B. We endorse the principle and practice now in effect that branching privileges of national banks and of competing nonbank financial institutions conform to the standards established by the individual states, and we oppose the establishment of branch systems on a national scale.

VIII. Payment of Interest on Time Deposits

A. Bankers have diverse opinions with reference to the regulation of the maximum rate permitted to be paid on time and savings deposits. Therefore, we make no recommendations for change in the present system. A sizable number of bankers, however, would prefer that supervisory authorities respond more quickly to cyclical developments in adjusting maximum rates of interest that may be paid on such deposits.

B. We favor freeing foreign time deposits from this regulation. If we hope to maintain and strengthen our position as a world financial center, banks must be free to compete on an equal rate basis with competition abroad.

IX. Trust Functions

A. We believe statutes and regulations governing the trust functions of commercial banks and trust companies should be modernized so as to permit greater flexibility in trust investment policy and greater efficiency in trust operations in the interests of the beneficiaries.

How We Meet the MICR Printing Specifications

D. W. BURNS

ALONG with hundreds of other banks in the United States, the First National Bank of Arizona faced a growing problem of handling increased checking account activity without sacrificing customer service—and without excessive costs. In 1954, our bank had some 53,000 checking accounts; today, there are over 132,000 such accounts and we are adding about 1,000 new accounts per month. The bank serves virtually all of Arizona with 69 branches, and the problem of check sorting, processing, and filing had to be solved.

About four years ago, we began serious study of The American Bankers Association program of Magnetic Ink Character Recognition—whereby a common machine language could be read by electronic equipment. We decided that adoption of MICR was a sound answer to the need for uniformity, speed, and accuracy of check handling.

Thus, in April of this year, the First National Bank of Arizona became the second bank in America to

A flick of the switch and the offset equipment takes over delivering the exact number of copies required, controlling the image development, and even cleaning the offset blanket



complete an installation and begin the operation of a computer-controlled electronic bookkeeping system. Our computer center has received a good deal of attention by other bankers, by our customers, and by newspapers and magazine editors. The computer complex is the heart of our MICR system, and the capabilities of the General Electric equipment read like something from the Buck Rogers era of a few years ago. Another vital part of our MICR system, however, is the actual check imprinting operation.

The First Step

Before the computers can do their job, the checks to be "read" must have E-13B characters (the common machine language of MICR) imprinted in magnetic ink to exact specifications. When MICR was proposed several years ago, many bankers unfamiliar with printing feared the whole idea impractical because of the seeming complexity of the specifications for imprinting checks.

However, our experience has taught us that the imprinting problem for MICR systems boils down to just one solution—good printing! With modern equipment, designed to meet the A.B.A. specifications for magnetic ink check encoding, we are having excellent success in obtaining accuracy.

In 1959 the bank purchased an A.B. Dick automated offset machine for check encoding and added a second unit this year as our MICR system went into operation. The bank's own duplicating section prints about two million checks each month and an equal number is printed by outside printing firms.

At first, we conducted extensive quality control tests on samples of every check order handled. However, this exhaustive quality control check-



The author is administrative vice-president and cashier of the First National Bank of Arizona in Phoenix.

ing is no longer necessary, and we now rely entirely on testing one of every 10 offset runs, using visual inspection, a Hewlett Packard signalstrength tester, and a Nikon 50-power microscope.

When a new checking account is opened at any one of First National's branches, the customer is given a set of pre-encoded checks to use immediately. The order for free, personalized checks is forwarded to the centralized duplicating department at the main offices in Phoenix and placed with other orders from that particular branch bank.

In preparing the order for imprinting, we use a pre-printed offset master that already has on it the transit and routing information in E-13B characters. The typist completes the master by merely typing on it the name and address of the customer and, in E-13B characters, the all-important account number with a Friden Flexowriter. After careful proofing, the master is ready for the offset imprinting operation.

The offset machines are automated (CONTINUED ON PAGE 118)

WORLD BUSINESS

U.S TRADE OUTLOOK FOR 1961: Exports, other than military, \$19.5- to \$20-billion; imports \$14- to \$14.5-billion; surplus \$5- to \$5.5-billion (1960 trade surplus was \$4.9-billion). Net balance-of-payments deficit, helped by German and Dutch advance repayments and barring unpredictable crisis, may be \$0.5-billion compared with 1960's \$3.8-billion.

WASHINGTON WATCHES for any sign of re-emergence of hot money outflow, due to changing European conditions. Treasury has Swiss francs as well as Deutschemarks for steadying the dollar in Europe. UK draws from IMF \$1.5-billion in nine different currencies to repay Swiss and other central banks for help to sterling earlier this year.

A SKEPTICAL VIEW of exchange equalization is held by Italian paper, 24 Ore. Convertibility of currencies varies greatly, it says, and capital criss-crossing boundaries could upset international economic integration.

PLANS TO USE IMF in a U.S. payments crisis make headway. IMF would borrow "hard" marks and francs to bolster dollar and sterling when needed. France, not foreseeing a similar French need, has delayed this IMF change.

A "EUROPEAN RESERVE FUND" is proposed as a first step toward a common European currency. But that will depend on political union, which seems far off.

UK'S AUSTERITY PROGRAM is geared to domestic needs. With these more pressing, London is less willing to hold down interest rates to favor Kennedy's domestic goals.

MACMILLAN HESITANTLY KNOCKS AT DOOR of Common Market. Liberals and many conservatives jeered the announcement. A momentous move; involves ultimate trans-channel economic and political integration. While Washington approves, our trade and investments will be affected, as will all the world's, if UK joins.

THE NEGOTIATIONS WILL BE LONG, with the Six and with the Commonwealth. France fears political integration as threatening its freedom. Commonwealth nations demand protection. Neutral Austria, Finland, Sweden, Switzerland need special status. And the British public must be convinced.

KENNEDY'S "DECADE OF DEVELOPMENT," which may cost a staggering \$80-billion, got an airing at Montevideo. His social-reform aims for Latin America unnerve U.S. and other investors there; even Latin capital may be scared off.

LATINS WANT U.S. TO STABILIZE primary markets kets and prices: coffee, tin, lead, zinc. Some ask "compensatory credits" from us to absorb their payments deficits whenever their exports shrink.

FOURTEEN BUSINESSMEN accompanied Dillon to Montevideo, including Chase International Investment Corporation and "Foreign Power" vice-presidents. White House families have role in Latin America. Eisenhower used brother Milton as his scout; Kennedy uses brother Ed.

U.S. AND ARGENTINE OFFICIALS list Argentina's top financial needs: steel, power, transport, airports, roads, housing. This is just one country in the Alliance for Progress. Inter-American Bank announces new projects almost daily.

WEALTHY LATIN AMERICANS have cached abroad more than \$3-billion, the *Journal of Commerce* reports.

"THE PATCHWORK HISTORY OF FOREIGN AID," American Enterprise Association, \$1, 52-page booklet, says successive postwar programs have responded to expediency, while aid has become a permanent practice "more complicated than inspiring."

ADMINISTRATION BACKS EXPORT CREDIT GUARANTIES in new Eximbank bill, to insure against export trade losses on trade credits.

CONFERENCE TO LIQUIDATE gold exchange standard is recommended by Frenchman, Jacques Rueff, for "a great peril hangs over . . . the west"; monetary instability "could set off worldwide disaster."

RETURNING TOURISTS' DUTY-FREE QUOTA is now limited to \$100 (excepting from Virgin Islands). U.S. officially promotes foreigners' travel here.

TREASURY'S REVISED "TAX HAVEN" PROPOS-ALS don't touch U.S.-owned foreign-flag shipping or construction companies abroad.

COTTON TEXTILES AGREEMENT drafted at Geneva under U.S. leadership by producers and consumers offers short-term formula starting October 1; seeks longer solution by April 30. It still must be ratified here and abroad.

ALCOA'S NEW AUSTRALIAN SUBSIDIARY (51% U.S.-owned) is an integrated complex, complete from bauxite to final products.

EXIMBANK is financing a PAA-managed hotel in New Delhi, partly with counterpart rupees.

Twice as useful!

New Recordak RELIANT 500 Microfilmer features unique interchangeable film units...lets 2 (or more) departments keep separate film records the way they would with individual microfilmers.

Bankers tell us it's almost like getting an extra microfilmer for the price of an accessory film unit. Takes only a second to slide out one unit . . . slide in another for a different job, a different department, or a different branch.

Not only is this microfilmer more useful, it is also the fastest for general office use... speeds the work of all departments. For example, in one minute your Transit Department can microfilm the fronts and backs of 500 checks... or your Bookkeeping Department can photograph 186 statements. And in the same high-speed



automatic operation the film record is indexed and the originals can be cancelled or endorsed, using an accessory endorser.

Write today for informative folder describing the new RECORDAK RELIANT 500 Microfilmer in detail . . . or better still, call in your local Recordak representative to show you all the advantages the new RELIANT 500 offers over older and slower microfilming equipment. Recordak Corporation, 415 Madison Avenue, New York 17, N. Y.

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(Subsidiary of Eastman Kodak Company) originator of modern microfilming -now in its 34th year

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Can On-the-Job Services Do a Job for You?

NEW DEMAND ACCOUNTS BY THE THOUSANDS . . .
AN EXPERIMENT THAT IS RAPIDLY BECOMING A MAJOR SERVICE . . .
NEW PLAN WORKS FOR THIS BANK . . .
BANK DEVELOPS ONE THOUSAND ACCOUNTS . . .
PROGRAM REGISTERING BIG GAINS . . .

HESE are headlines you have seen flashed in bank journals and bulletins within recent months. They tell the good news about a new way of marketing bank services that has created strong interest, smart programs . . . and brought real results.

But you have probably read or heard other comments that go like these:

"Program has not produced for us."

"We had some loans but no big volume."

"Takes a lot of work . . . results have been disappointing."

"We looked it over. Did not think it could do much for us."

The subject of both sets of reports is the same, on-the-job services. No development in banking in recent years has been more discussed, studied, applied in as many different ways... or more diversely evaluated than has this new kind of retail banking, both among the banks that have developed some type of "on-the-job" service and those that have not—yet. Reactions and results have shown marked contrasts.

Let's look at the big picture (and it is big) of on-the-job services and see what brought about their inception, how they have performed and what the outlook is for this new concept of banking.

What's in the Name

First, it is important to keep in mind that the label, on-the-job services, is a "family" name. It identifies a rather large group of bank services and marketing methods, not a single system. For purposes of clarification, we can say that the term, on-the-job services, covers all of the various bank plans and programs which provide sound and convenient financial services to people-on-payrolls within the framework of their company or job relationship.

Some names that have been used for various forms of these services are: Bank-at-Work, One-Check Payroll, No-Check Payroll, In-Plant Banking . . . and many, many others. These are not simply different names for the same thing. But all are structured on the same triangular base: a company, its employees, and its bank.

The Methods

You can, in general, classify onthe-job services in three divisions.

(a) The rack group (In-Plant Banking, Bank-At-Work, Self-Service Banking, Bank-Where-You-Work, etc.) A bank, with the company's cooperation, places attractive racks or desks in plant or office locations easily accessible to employees. These displays contain folders describing various WILLIAM E. SINGLETARY, head of Singletary and Associates, Princeton, N.J., public relations consultant to banks, outlines categories, functions, and principles involved in successful on-the-job programs.

retail banking services such as checking and savings accounts, instalment loans, etc. Signature cards, application blanks, pre-addressed envelopes, and other forms are provided so that employees can avail themselves of bank services quickly, easily, and privately without having to make a trip to the bank.

(b) Savings plans. Under company sponsorship, employees may authorize their employer to deduct from their pay a specified sum each pay period to be deposited in a savings account at the bank. The company sends to the bank a list of the participating persons, and the amount to be credited to each account, along with a check for the total of deposits.

(c) Payroll deposit plans. (One-Check Payroll, No-Check Payroll, Salary Deposit Plan, etc.) Rather than cash or check, the employee receives some form of advice of payment or deposit slip which indicates what he has earned, what has been deducted from his pay, and what has been deposited to his checking account at his bank. In some cases the bank uses its own equipment to prepare the payroll list for the company and to process it, including the deposit tickets or memoranda for employees. In other cases the company does the payroll processing, supplying the bank with a list of ac-

(CONTINUED ON PAGE 125)

Know Your Competition

Credit Unions ... Savings and Loan Associations ...

A.B.A. Releases Facts To Correct S&L Claims

The U.S. Savings and Loan League is trying to confuse the issue of tax uniformity by issuing misleading statements to Congress and the press, according to The American Bankers Association.

Conjectures have been labeled facts by the League, and dramatic terms used which are crudely calculated to mislead Congress and the public, according to the Association; the League, dissatisfied with conclusions drawn in a tax status study made by the Treasury, also has made the Treasury the target of unfair attack.

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In part, an A.B.A. statement on the topic says:

"There are some real facts to be considered by Congress and the public in determining whether the Treasury conclusions are valid:

"(1) Between 1952 and 1959, commercial banks paid more than \$6.7-billion in Federal income taxes or an annual average of 39.0% of net income. This contrasts with the less than \$40,000,000 of income taxes paid by Federal Home Loan Bank Board member savings and loan associations during this period, or an annual average of 1.4% of net income. In 1959, the latest year for which figures are available, they paid less than 1% of net income in taxes, while commercial banks paid almost 32%.

1959: Commercial Banks Paid 155 Times More Federal Tax than S&Ls

"(2) In 1959 insured commercial banks paid \$832, 797,000 in Federal income taxes, while in that same year member [of S&L League] savings and loan associations paid Federal income taxes totaling only \$5,346,000. In other words, the Federal income tax paid by commercial banks was 155 times that paid by savings and loan associations.

"(3) The average commercial bank pays more than 100 times as much tax as the average savings and loan association in 31 states and the District of Columbia, and more than 20 times as much in 14 additional states.

"(4) The average tax reported on the typical individual return for 1959 was almost as large as the average tax paid by individual savings and loan associations. In fact, many individual taxpayers with modest incomes pay a good deal more in income taxes than do a number of giant savings and loan associations.

"(5) By remaining virtually tax-free, savings and loan associations are depriving the Federal Government of much-needed revenue. Other taxpayers, both individual and corporate, pay a fair share of taxes. They will have to pay more if savings and loan associations continue to escape their tax obligations."

New Booklet Gives Latest Savings Statistics

A 32-page booklet of comparative statistics on the major competitors in the savings market has just been released by the A.B.A. Savings Division and Department of Economics and Research.

"Statistics on the Savings Market" are presented in 27 tables and two charts, drawing a clear picture of savings growth and shrinkage in national, state, and metropolitan areas.

Among the important conclusions advanced:

"In just over half the 40 largest metropolitan areas, savings and loan associations hold a larger share of the savings market than do commercial banks.

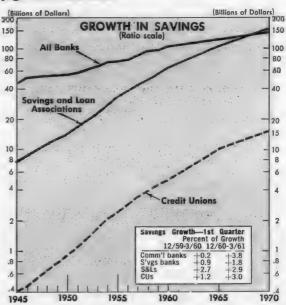
"Mutual savings banks also compete in 12 of these metropolitan areas, and in at least four of these areas hold more than 50% of the total savings in the three types of institutions.

"In every state . . . (but one) . . . commercial banks have more offices than do savings and loan associations and mutual savings banks combined.

"However, despite the availability of banking offices, savings held by commercial banks are growng at less than one-third the rate of those held by savings and loan associations."

"This is due in large part to the fact that in virtually every state, savings and loan associations, as well as other competing institutions, pay a higher rate of return to savers."

Information on how the booklet may be obtained is on page 103 in this issue.





Overheard in Manhattan:

"Why don't you check with Pittsburgh National?" They have banking offices throughout the Greater Pittsburgh area."

Total Resources . . . \$951,431,685.85 Capital and Surplus . . . \$81,000,000.00



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Depositors Are Interested in Banks' Bonding Programs

The nationwide publicity given to the few catastrophic losses sustained by banks as a result of dishonest acts of employees has caused concern among some bank customers.

Recently, the credit union press made the observation that, if a bank has FDIC insurance, deposits are covered up to \$10,000, but, if a bank suffers a disastrous loss due to a defalcation and is forced to close, a credit union could not recover the loss of deposits over \$10,000 under its bond. Extensive research by the Credit Union National Association found no record of credit unions having suffered a loss in this way, but it was stated that it could happen.

A credit union spokesman also had this to say: "Through our bonding and loss prevention programs we try to guarantee the proper handling of members' money as long as it is in the credit union. But then we are required by law to place our monies on deposit in banks which may not be adequately bonded. Thus, our interest in banks' bonds is one of self-preservation and protection."

During the past five years, 10 banks were forced to discontinue operations as the result of catastrophic losses resulting from dishonest acts of officers or employees. Whether or not depositors sustained resulting loss, each of these large bank defalcations was given wide publicity.

Comparatively few large employee defalcations which exceeded the amounts of bonds carried by banks have caused the FDIC to liquidate insured banks. The 1960 report of the FDIC points out that, of the payoffs to depositors in 258 banks closed for any reason during its 27-year history, less than 5,000 of 1,452,000 depositors (less than .4 of 1%) were not fully reimbursed for all deposits -including deposits in excess of the Corporation's insurance maximums. The amount of unpaid deposits was less than .5 of 1% of the total deposits in these banks.

In the present era, probably more than at any time in banking history, bankers are cognizant of the need for adequate insurance to cover catastrophic losses resulting from employee dishonesty and are doing something about it. Over 4,500 commercial banks, mostly of small and medium sizes, have purchased \$1,-000,000 excess employee dishonesty insurance to supplement their bankers blanket bonds. This means that each officer and employee in these banks is bonded for the total amount of his bank's blanket bonds plus \$1,000,000. Large banks bond each officer and employee for as much as \$10,000,000. It is estimated that more than 200 banks per month are currently applying for the purchase of \$1,000,000 excess fidelity coverage. Fortunately, credit union spokesmen and others recognize that an increasing number of banks are supplementing their basic bankers blanket bond coverage with \$1,000,000 excess employee dishonesty insurance.

All depositors are interested in the prudence exercised by banks in protecting the funds entrusted to them. Following a large bank defalcation early this year, a few banks publicized having \$1 million excess employee dishonesty insurance and informed depositors of the total amount of bonding applicable to each officer and employee.

Confirmation to depositors of adequate bonding programs should stem public concern with respect to loss of deposits resulting from the dishonest acts of bank personnel. It appears that commercial banking has been well served by those banks which purchased \$1,000,000 excess employee dishonesty insurance and publicly announced to their communities the added protection that the coverage gives to their customers' deposits.

The Bank of Kennett, aware of the public's concern, published this ad as a reminder that it is one of 4,500 commercial banks which have purchased additional employee dishonesty insurance to supplement their present insurance programs



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It's here-the world's first ABA codedel

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Designed for bankers by bankers! Our new ABA coded electronic Travelers Cheques, recently introduced in our California branches, will soon simplify and speed your whole cheque-selling operation. Within a few months they will be available to all banks—bringing you these important advantages:

Faster handling — New ABA encoding is designed to expedite clearances and handling by other banks. Gives quicker claim service. Provides simplified vault register controls and an improved automatic replenishment system!



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Faster selling—Package and loose cheques now may be sold from one single inventory. Simplified new applications—with no carbons or staples—save time and work. Exclusive Sellers' Kit containing 7 different cheque packages increases operating efficiency.

Greater customer appeal—Handsome new wallets in two styles, two colors.

The first completely integrated electronic Travelers Cheque operation—



BANK OF AMERICA NTASA MEMBER . F D I C



LOOK TO THE LEADER

... in Field Warehousing

when Collateral is a Problem-yet inventory is an asset

- Lawrence provides the most comprehensive bond Lawrence has the largest and most experienced coverage - assuring you maximum protection.
- Lawrence furnishes an I.B.M. Loan Officers record keeping.
- force of trained field men operating the famed Lawrence System "Know-How."
- Monthly Collateral Report that simplifies your Lawrence has an unblemished record of almost-50 years service to banks everywhere.

So the next time you see Inventory on a client's statement, why not call in Lawrence-and be secure!

LAWRENCE ON WAREHOUSE RECEIPTS



... IS LIKE CERTIFIED ON CHECKS

THE LAWRENCE COMPANY

NATIONWIDE FIELD WAREHOUSING

37 Drumm Street, San Francisco 11 · 100 N. LaSalle Street, Chicago 2 · 79 Wall Street, New York 5 OFFICES IN PRINCIPAL CITIES

Business Building Bulletin

IDEAS AT WORK

John L. Cooley

"We Drew Some Pictures for You"

THE Trust Company of Georgia, like many banks, is often host to school children. And frequently the youngsters write thank-you notes that record their impressions of the tour.

Particularly impressed by a trip to TCG's main office in Atlanta was the second grade at Kittredge Elementary School in nearby Decatur. The class decided to communicate its gratitude by drawing the things seen.

So in a few days a packet of colored crayon pictures arrived at the bank. The public relations department grabbed the story, of course, and put the drawings on display in the lobby where "they received much notice from customers and the bank

Then the PR people had another inspiration: they reproduced the vivid art work (in black and white). BANKING was delighted to receive a set. Sorry we have room for only part of the gallery. But it's still a good show!

2383 N. Druid Hills Poul

Dear Mr. Fink

It was nice of you to take time to show us the Trust Company of Crecrgia. We liked everythin Raymond we saw

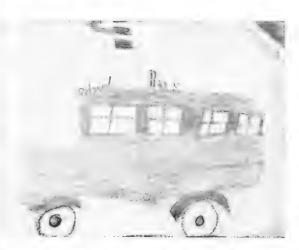
for you. I hank you for making Ned Roberts

our field trip such a nice one. We think that you are a very nice person

Miss Copelands 2nd Grade

We drew some pictures leresa Pender Steven Looper

We had space for only a few of the signatures. "Mr. Fink" (Louis C.) is the bank's PR officer



This is the bus that brought the second grade at Kittredge Elementary School to the bank



The bridge connecting the main office and the annex caught the eye of one young artist

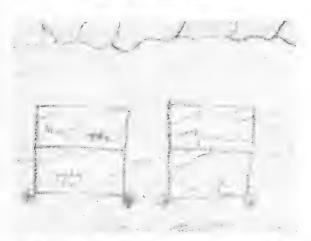
"We liked everything we saw . . ."



Anyone would know that here are two tellers, flanked by guards, in the bank lobby



Even though this armored truck seems to be rolling along a rural road, you may be sure it's bank-bound



Storage area where waste paper is placed in marked bags daily.

The room's walls are granite blocks from Stone Mountain



Inside the big vault the youngsters saw tier after tier of steel safe deposit boxes



Mr. Fink and "Nancy" apparently are explaining the proof machine. Note the dangling tapes



If you need help, this is the Directors' Room, with portraits of two past presidents. The tour started here



This is Miss X

"Miss X" Voice Tests Radio Ads

ga

THE Belton (S.C.) Bank stirred things up with a one-month promotion keyed to a mystery voice that spoke the radio spot commercials.

"Miss X," who made the announcements, is Sue Shore, a native of England. Her accent, reports the bank, "created immediate interest among the radio audience."

The gimmick, supplemented by lobby posters and other material, was "Who Is Miss X?" Those who could identify her, and also name the banking service she had mentioned on a particular morning, got a savings account deposit of "seven shillings two pence"—a dollar.

"There was a tremendous re-



Manufacturers National Bank, Detroit, opened an enlarged Grosse Point office with this reminder of an earlier day. Riding in the old carriage are Teller Janice Stump and President Arthur J. Fushman. The others are Manager Norman A. Koppersehmidt and Len Dodson, deiver

sponse," says the bank, "with an amusing variety of guesses. Only three, however, properly identified Miss X, and at this writing many people are still trying."

The Belton plans to continue using Miss X tape commercials throughout the year, even though her identify is known.

Bank Shows Cabbies the Way

DESPITE intensive and extensive promotion of 1 Chase Manhattan Plaza as the new home of a certain New York bank, the taxi drivers were still puzzled when a fare gave that address.

So CMB prepared a folder especially for them. Chief feature is a map of lower New York showing the bank's location and the best routes to it. Twenty-five thousand copies were mailed to the cab pilots.

Bank Booklet Boosts "Forest City"

A SUBSTANTIAL boost for the horticultural organizations in metropolitan Cleveland is given by the Society National Bank of that city. It has published a 16-page color-illustrated booklet, "The Forest City of the Sixties," covering the history and current activities of six major groups that help look after Cleveland's continuing attractiveness.

To interest people in these organizations the bank devoted a commercial of its TV program to a similar presentation of the city's horticultural activities.

Tenants Join Bank's "C-H-A-O-S" Club

In recognition for their cooperation during the remodeling job, tenants of the First National Bank of Omaha were made members of "The Ancient Order of C-H-A-O-S" (Construction Hardship and Obstruction Sufferers).

Certificates were presented to 50 employees and occupiers of the 14-story structure, citing them for their "exemplary patience, indomitable stamina, unparalleled perseverence and supernal understanding" while



This travelers check display designed by Central National Bank of Cleveland used real posters, glued to a round core. The brightly colored units were placed in Central's 31 offices

the remodeling of the building was in progress.

"Congratulations" Ads Greet Companies

BEAUMONT, Tex., is in a prosperous petro-chemical area, and a busy construction program, we're told, is

To Whom it Vitalio Concerns

Because You was Bupdaged Outside experted only of a Saint Because it Your Exemplarity Partitude Indomicable Schaffma Unparalleted Persecutance was Southful Linderstanding

We do herebu Derree and Declare Bou to be a Member of the

Ancient Order of Ch. 2.05

and We do thereby Exhore and Petition You to Take unto Houself the Letter and the Law of our Moreo

from CH-A-OS will come Beauty



This certificate was given to business tenants of the First National Bank of Omaha building during the remodeling

of

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Bank's Staff Fund Pays Benefits

HOOSIER State Bank of Hammond, Ind., has a Staff Social Fund which takes care of remembrances for illness, family deaths, marriages, and leaving the bank's service. No solicitations among the employees are permitted.

Each staffer is invited to join the plan, President John F. Wilhelm tells us, after he or she has worked three months. A contribution of 25 cents is made to the fund by a fortnightly payday deduction. Membership is voluntary. Those who don't join or who drop out are ineligible for the benefits.

Payments on leaving the bank are: one to three years employment, \$10; three to five years, \$20; over five years, \$30.

Employees ill six days or more, and who have been in the plan six months, receive flowers or a gift valued at \$5.

At times of death in a member's immediate family the fund sends a memorial costing \$5.

The marriage remembrances are: one to two years service, \$10; two to three years, \$15; three years or more, \$20.

In 1960 payments were made to 14 persons who left the bank, to 14 for illness; 3 for family deaths, 1 for marriage—total, \$318.60.

The fund is administered by the three officers of the Employees Savings Fund, the bank's layaway plan for its employees.

"The Social Club has been highly successful in the

past 15 years of operation," President Wilhelm said.

"It's curious how surprised some employees are when they receive benefits. The recipients of flowers have been most grateful, praising the red roses or the plant sent to cheer a sick room.

"The wedding benefits have been quite useful in many cases, and as for departure benefits—even though people have been paying into the fund they seem to forget they'll reap the benefits when they leave the bank, as well as while they are working.

"This letter, received from one of our ladies who quit working, speaks for itself:

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"'Thank you so much for the check you sent me—and thanks also to the Social Club. The check was completely unexpected and of course most welcome. Our new baby will need so much—so I certainly can put the money to good use."

The fund's officers are elected for three-year terms—one each year—by the members of the Employees Savings Fund Plan. The date of the annual meeting is set by the bylaws a year in advance. At the request of three members, with specific reason, a meeting of the membership may be called.

Benefits may appear to be small, notes Mr. Wilhelm, but when the question of additional remittance is discussed, they always prove to be adequate.

The plan was the result of repeated solicitation of the staff for contributions to cover the four occasions now served by the fund.

always under way. American National Bank of Beaumont has published a series of display ads offering its congratulations to businesses that are thus developing.

So far, this year has seen the opening of new telecasting facilities for KFDM; a 13-story Beaumont Petroleum Building; an expanded plant

for the local newspapers; and new Beaumont offices for the Sun Oil Company. The bank has saluted each with an ad similar to the one reproduced herewith.

J. Henry Simpson, senior vicepresident of American National, is chairman of the bank's advertising committee and is responsible for the program. Aylin Advertising is the agency.

Bank Runs Ads in Hotel Papers

Bank of Montreal makes regular use of publications distributed to guests in Canada's two largest hotels, the Royal York in Toronto and the Queen Elizabeth in Montreal.

The bank believes these magazines are an excellent medium for reaching executives visiting Canada on business or pleasure, enabling B of M to get its message to readers when they are relaxed.

One ad was illustrated with a door knob from which hung the familiar "Please Do Not Disturb" sign—with "Not" stricken out. Appended was a note: "If you need any information about Canada or Canadian business ..." Copy offered the bank's services.

Figureheads Promote Savings for Bank

PICTURES of ship figureheads are used by Mountain Trust Bank of



Part of a Mountain Trust Bank ad



One of the congratulatory ads

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Here's a reminder First National City Bank of New York furnishes to several companies on one-check payroll. It's enclosed with the statement of pay

Roanoke, Va., to promote savings. The theme is "Sail On."

"Figureheads on the prows of ships were more than mere ornaments to early seafarers," says the copy in an insertion we saw. "They represented protection from the elements as well as successful encounters with enemy ships.

"Today, a savings account means you're out in front with a more certain figurehead of protection for you and your family. Come what may, it means money on hand when you want or need it."

The series, prepared by Houck & Co., of Roanoke, is running weekly in local papers.

Ideas for a Branch Opening

QUITABLE Trust Company of Bal-L timore opened its 22nd branch with 3-day festivities that included several popular novelties.

Visitors had chances to open a treasure chest containing gift certificates worth up to \$25; there were miniature chests and 14,000 balloons for the children. Customers starting savings accounts received free gifts ranging from a pen and pencil set to an on-the-spot charcoal sketch by a professional artist.

The climax was a grand prize drawing from more than 10,000 names. Three winners received stereo phonographs.

A dirigible floating over the bank drew visitors from a wide area.

Auto Trips Outlined in Brochure

7 ALLEY National Bank of Arizona is offering "Scenic Auto Trips," a gay booklet that lists directions for reaching many points of interest in the state from Phoenix and Tucson. It's a companion to "About Arizona." a brochure answering queries asked by newcomers.

The trips outlined in the new publication cover Arizona from Grand Canyon on the north to Nogales on the Mexican border.

"Salt Some Away" Theme Aids Savings

THE Union Bank of Erie, Pa., reports on its "Salt Some Away" promotion of savings, and we relay

Assisted by a company selling salt, the bank blanketed its area with a promotion that included small plastic samples of the commodity sent with a letter from President A. J. Hartleb. Extensive billboard advertising featured a table shaker and stacks of coins and bills to dramatize the slogan "Salt Some Away-money, that is-in a Union Bank Savings Account."

Newspaper ads followed the same line. Several commercial spots were used daily on radio in several languages. The salt theme also dominated the bank's TV program.

During the campaign-it lasted a month-salt cellars bearing the promotion's slogan appeared in 19 restaurants. The cellars were given to customers in the bank's six offices. Meanwhile, two stories about saltand stressing the promotion-were published in the local paper.

"Oldest Active National Bank President" Saluted on Nearing 100th Birthday

W HEN the head man of your bank nears his hundredth birthday, you want to do something special about itand The First National Bank of Oakland, Md., did.

Its June 30 condition statement is a salute to A. D. Naylor, "the oldest active national bank president in the United States," who was born September 27, 1861. The center spread of the statement presents his portrait and a short summary of his career.

Mr. Naylor, a native of Hedgesville, W. Va., came to Oakland in 1884 and opened a blacksmithing business.

"Soon wagons, sleds, and farm implements became standard merchandise as did plumbing, heating and electrical materials. A full line of hardware expanded the business to its present size.

"In the many years that have passed Mr. Naylor has played an active and important role in civic and business affairs and has witnessed the growth of our area from horse-and-buggy days to the modern jet era.

"Mr. Navlor's long and fruitful years have paralleled the most momentous and progressive one hundred years in the history of the world.





"We are proud to honor Mr. Naylor on his years of service to the betterment of our community."

The bank's condition statement is on the back cover.

The effort, says President Hartleb, was "quite successful, as it attracted a great deal of attention and was different from any other promotion we have had. So many people thought it was a good idea because of the old cliché, 'Salt Some Away.'"

Sightseer's Guide Published by Bank

FIRST National Bank of Arizona has a new full-color "Sightseer's Guide to Arizona." It's a 24-page pictorial presentation of points of interest in the state, and is available through the bank's Newcomer Information Service in each of the 68 offices.

Included are maps with major highways, forestry and area maps, temperature ranges, annual precipitation, national monuments, recreational areas, Indian reservations, and pictures of Arizona landmarks.

Bank's Ad Timed to Grissom's Flight

THE National American Bank of New Orleans published a fullpage ad promoting its travel agency on the day Astronaut Virgil I. Grissom made his successful flight.

It took some arrangements among the bank's agency, Walker Saussy Advertising, Inc., the *Times-Picay-une*, and the National. The ad, pre-



The Franklin National Bank of Long Island, N.Y., was on the job immediately after Capt. Grissom's flight. It offered a coin bank facsimile of the space capsule to the first 5,000 branch customers

Foundation for Commercial Banks Makes Plans



Speakers at the Foundation for Commercial Banks' National Advertising Program Conference in Memphis were the Foundation trustees shown here. Left to right, J. W. Bellamy, president, National Bank of Commerce, Pine Bluff, Ark.; L. M. Schwartz, president, Citizens State Bank, Paola, Kans.; Allen B. Morgan, president, First National Bank, Memphis; George Goodwin, vice-president, First National Bank, Atlanta, Ga.; Joseph C. Welman, president, Bank of Kennett, Kennett, Mo., and former president of The American Bankers Association

PLANS for doubling the advertising program of the Foundation for Commercial Banks during the next year were outlined at a Memphis conference attended by 55 bankers from Arkansas, Alabama, Kentucky, Mississippi, Missouri and Tennessee. Consumer advertising in mass circulation periodicals will be increased 60%.

The Foundation, now in its fourth year of sponsoring a program to increase recognition of full-service banking, represents nearly 6,000 banks having more than 70% of all deposits. Plans include publication of a 12-page booklet, tentatively titled "How to Get the Most for Your Money," as an insert in a national magazine early next year.

Allen Morgan, president of the First National Bank, Memphis, who presided, pointed out that while banks have been gaining in size and profits, they have been losing steadily in comparison to the gains made by other businesses. He called attention to the fact that 25 years ago banking ranked sixth among all industries in its profit return on capital investments, whereas today it ranks 51st.

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"We have got to sell banking harder," he said, "We're up against stiff competition from many sources and we've got to organize our efforts and convince the public that a commercial bank can still offer more to the customer than any other type of financial institution."

pared in advance, was scheduled for the first edition published after the flight, and it appeared at 10 A.M. on July 21, the day Grissom flew.

The page was dominated by a photo of a rocket leaving the launching pad. Copy was headed "The only kind of travel arrangements not handled by the American Bank Travel Agency!"

BUSINESS BUILDER. "Family Guide to Banking," a 12-page supplement to the local newspaper, was distributed by Union National Bank & Trust Company, Mount Holly, N.J., to acquaint Burlington County

families with the banking services available in their own community. President Clifford R. Powel reports that the 24,000 copies brought in "a substantial amount of new business."

It's the Citizens Fidelity!

THE story in this department last month headed "Bank's Booklets Tell Story of Money" in correctly identified the institution as the "Fidelity Bank and Trust Company of Louisville." The name is, of course, Citizens Fidelity . . . Sorry!

A Bank Explains "World of Finance" to Teachers and Pupils

SANFORD KLEINER

The assistant personnel director of Chemical Bank New York Trust Company reports on an educational program.



These junior high school students, visiting the bank's electronic center at 2 Broadway, are examining a check sorter

When the school bell rang in September to call back New York City teachers and students, many may have been surprised to find that the curriculum had been expanded to cover commercial banking. This results from the continuing cooperative effort inspired in 1959 by Assistant Superintendent of Schools Joseph C. Noethen of the New York City Board of Education and Chemical Bank New York Trust Company.

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The basic program has two parts: (1) A teacher information program to describe the functions and services of every major division of a commercial bank; (2) a student tour series to provide young people with the opportunity to "see-for-themselves" what transpires in the daily operation of a commercial bank. (The tours are arranged to coincide with classroom discussions on the subject.)

All New York City school teachers are eligible to enroll in the teacher training program, titled "The World of Finance." It consists of 15 oneand-one-half-hour meetings to consider the functions of each important division of Chemical New York. These discussions are led by the bank's officers in charge of such divisions. Class enrolment has been limited to 50 so as to ensure maximum participation in discussions. This is vital, for our purpose is to obtain maximum understanding on the part of the teachers who in turn will be discussing our business with their students in their own classrooms at some later date. (The term projecta lesson plan based on some phase of commercial banking—is aimed at this objective also.)

For Special Students

The student tours are arranged for "special progress" and "intellectually gifted" classes. Invitations are issued to these classes, based on recommendations received from mathematics curricula coordinators in various school districts. This is a comprehensive 4-hour tour of banking facilities at a large branch office and also of the bank's large operations center at 2 Broadway. Tied in with this behind-the-scenes look at a commercial bank is the classroom discussion prior to and after the tour. Once again, the mathematics coordinators play an important role by supervising the classroom follow-through.

1961-62 Program

For the school year getting underway in September 1961, Chemical New York plans to continue its attempt to reach as many interested teachers and students as our staff and facilities can adequately handle. This means that we will welcome the enrolment of 50 teachers in "The World of Finance" course. It is planned to present the course in a bank conference room for proper atmosphere.

The student tour series will be expanded to include 24 classes as compared to 16 last year and only 10 when we started the visits in 1959. Our plan has been to start slowly and to pick up the pace in progressive years to be certain that the tours achieve their objective.

"The World of Finance"

It has been our experience that teachers are keenly interested in the inner workings of a large commercial bank. In many cases, they are surprised to discover great differences between commercial banks, mutual savings banks, and savings and loan associations. This lack of understanding was the key which led Mr. Noethen to open a door for his staff to meet with officers of Chemical New York in order to consider a course of special study which could be put to practical use by both teachers and students. After careful consideration, the staff was unanimous in recommending to Mr. Noethen that the same briefing be given first to all school principals and assistant principals and, second, to individual teachers who might be enrolled in an expanded version of the program. The possibility of tours for the students was not discussed at this time so that full attention could be devoted to a successful venture with the teachers.

An outline for "The World of Finance" was submitted to Superintendent Noethen. He presented it to the director of in-service courses who accepted the course, and it was announced in the board's catalog. Further, the course was designated as one for which participants would receive credit towards a salary differential upon successful completion. (The bank also gives credit by means of a handsome certificate testifying to the enrollee's having completed the course.)

The course covers the following topics: History and Early Uses of Money; History of Banking and Types of Financial Institutions: The Federal Reserve System-origination, purposes, effectiveness; What Commercial Banks Are and How They Serve—a survey of functions and services; Savings Banks, Savings and Loan Associations and Commercial Banks-a comparison of Checks-history differences; checks, checking accounts, volume, processing methods, safeguards, the clearing house; Commercial Credithow credit is granted, types of loans, interest rates; Consumer Creditwhy consumer credit?, how granted, types, interest rates; International Banking-letters of credit, foreign exchange, the bank's role: Branch Office Banking-a typical office operation; Inflation-dangers, causes, remedies; Investments-how to read the financial pages of a newspaper; Trust Services and Estate Planning; a tour of Chemical Bank New York Trust Company-observation of functions discussed during course; summary-banking in the classroom: how and why commercial banking should be taught in the classroom.

Classes are scheduled from 3:40 to 5:20 P.M. weekly with a Board of Education mathematics coordinator serving as course moderator and liaison with the bank. Sessions 1, 2, and 15 are led by a board staff member; all others are conducted by officers of the bank.

What the Teachers Think

Teacher evaluations on forms provided for the purpose have consistently rated the course as "excellent" or "useful." Among specific items praised by the teachers have been: "The variety of topics and meeting bank specialists;" "insight into how a bank operates and how it is useful to the community;" "Trip through the bank;" "Knowledge of the many services that a commercial bank offers."

Every participant has recommended that the course be continued. Further, the consensus indicates that it would be useful to elementary and junior high as well as high school teachers—all levels within the school system. Some even feel it should be expanded to include school secretaries and teachers of adult education courses.



IS COMMENDED UPON
THE SUCCESSFUL COMPLETION
OF A STUDY OF

THE WORLD OF FINANCE

PRESENTED BY

CHEMICAL BANK NEW YORK TRUST COMPANY



1. RENNETH TOWNSFRE

Student Tour Series

Teachers complet-

ing the course get

this certificate

from the bank

The decision to conduct class tours of the bank premises was easy and logical. Superintendent Noethen was enthusiastically in favor of this phase and promised that the most deserving classes would be given preference for this venture. Initially, the bank accepted sixth grade groups of advanced students in intellectually gifted classes. These were a rewarding experience for the tour guides as well as for the students and their teachers. However, it became evident that the material would relate much more closely to courses of study being undertaken by more senior students. Thus, we have moved up to junior high school classes, with a preference for those students who show special aptitudes for business and finance.

Prior to its visit, each class studies banking and finance to the extent considered necessary by the mathematics coordinator. Following the trip, there is further discussion and class projects are related to the learning experience. An outline for these tours follows:

10:00—Welcome to banking office.
Inspect teller department.
Observe tellers' activities.
Handle \$500 and \$1,000 bills.

10:30—Inspect main vault and observe \$1,000,000 in currency.
Inspect customers' safe deposit facilities.

11:00—Visit to electro-mechanical accounting center at 2 Broadway. Tour of Check Operations Division and IBM proof machine operations, with explanations.

11:45—Lunch in employee cafeteria as guests of the bank.

12:30—Tour of bank's electronics research division and observation of Univac installation.

1:00—Visit one of nation's largest centralized bookkeeping departments and review bookkeeping procedures, including explanation of Postronic machines.

1:30—Training center conference room: question period, film, presentation of training center certificate and an envelope of materials describing various functions of the bank.

The Youngsters' Reaction

While the bank and the Board of Education have received television and newspaper publicity as a result of these tours, the most important and rewarding returns have been from youngsters themselves who have expressed their reactions in writing. These are genuine proof of the real purpose of the program: to give school children an open and full understanding of what goes on behind the scenes of the commercial banking business which is sure to become increasingly important to them in the future.

Chemical New York intends to continue to offer these tours and courses. As Mr. Noethen said in a recent letter: "Confining classroom walls often give distorted views of reality." The bank considers this project to be a most important phase of its over-all public relations effort, because it contributes to a generally better public understanding of the broad banking industry.

DAY AND NIGHT PICK-UP SERVICE SAVES CLEARING TIME!

Our motorized messengers make pick-ups around the clock at the San Francisco International Airport, hub of Pacific Coast jet air routes. Within 30 minutes of receipt at the airport, your cash items are being processed at our Operations Center. Motorized check collection and direct routing to our more than 125 branches in Northern California provide fast, efficient collection and availability of credits.



MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



FOR DETAILS WRITE WELLS FARGO BANK AMERICAN TRUST COMPANY, 464 CALIFORNIA STREET, SAN FRANCISCO 20, CALIFORNIA

September 1961

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Home Sales

The consensus of the bankers reporting on regional real estate and mortgage trends in the midyear A.B.A. *Mortgage Bulletin* was that the home sales pace has not improved—that yields will probably stay close to present levels. Checks made in the first week in August indicate that conditions have not changed.

"Builder Views of '61 Markets" as gathered by the National Association of Home Builders confirms that rates being paid for mortgage financing (interest, discounts, and fees) both in respect to construction loans and permanent financing have undergone little change. It is added, of course, that the supply of such money is decidedly easier.

The Secondary Market

It may appear paradoxical, during a period when savings in both commercial banks and savings and loans are rising at a strong pace and the prospects for a sizable increase in the supply of mortgages still seems dim, that the majority should agree that prices in the secondary market are unlikely to decline. However, this thinking is based on the premise that the yield curve generally is on the rise. For instance, Government bond yields have improved markedly, and the demand for all types of loans is much stronger.

The Pace of Home Building

Backlogs of unsold new homes are being reduced to more comfortable levels in most sections. This is the result, not of any marked improvement in sales, but of the slowed building pace.

Reduced inventory is encouraging large home developers to raise their sights; it is said they plan from this point on to build at a pace up to 20% ahead of a year ago. Concentration will be mainly on lower-cost homes—under \$15,000. The market in the higher brackets is still considered to be quite saturated. Builders say they are now able to offer between \$200 and \$400 better value in spite of the fact that land costs have not been reduced.

Smaller builders as a group are not expected to step up their home construction very much—in fact, a good number will be doing less. These and some of the bigger builders, too, are intensely interested in the potentials of the new, up-to-\$10,000 home improvement loan program. There is a feeling that many a family, unable to get its price for its present home, will decide to make alterations or additions to make it conform with present-day needs and desires.

The backlog of older homes being offered for sale is not shrinking. It is, in fact, rising, as are vacancies on rental units.

A National Market

The fact that influential Senator John Sparkman, chairman of the Senate subcommittee on housing, has endorsed the aims and recommendations for the operain the first

and Instalment Lending

Editor, Bankers Research, a newsletter

tion of a national mortgage market for conventional loans should assist materially the furtherance of this program. At present the A.B.A. Mortgage Finance Committee is examining changes in banking laws necessary to the establishment of such a program.

Automobile Sales

Automobile sales are expected to be excellent for the next three months and financing sources look upon this as a period to build loan volume on a sound basis. A strike will, of course, defer this. Dealer stocks of 1961 cars are low by the standards of recent years and, after four years of dealer casualties, the ones remaining are generally the strongest financially.

Floor Plan
Financing

For this reason lenders may be more willing to agree to larger-scale floor plan financing. With fewer dealers and many more models of cars, they are likely to be called upon for this.

At the annual Instalment Credit Conference held in March it was pointed out that most banks prefer to limit wholesale financing to a 60-day supply of new cars. Dealers with very good records may be accommodated with somewhat larger lines when these are required. Some with just as good operations and heavy turnover do not have the space for even a 60-day supply.

Retail-Wholesale Financing Ratio

Banks extending lines of wholesale financing are entitled to profitable returns on the retail financing. To attain it the proportion of such financing must be adequate. The aim is generally 40% or better of the floor plan financing. Some are satisfied with 30%.

Where the proportion of retail to wholesale credit is too low, it is usually attributed to one or a combination of three things: (1) The dealer is giving the bulk of his retail paper to someone else; (2) the dealer makes a great many cash deals, probably because he has some large fleet accounts; and (3) there may be an extremely active and successful direct lender in the area.

In the case of the first point, it is a matter of straightening the dealer out, or dropping him. In the case of the second and third points, it is suggested that if the bank wishes to retain the business it ask for a better floor plan rate or a service fee per car.

With the delinquency picture in all phases of instalment credit showing such improvement, it may be that some lenders will be inclined to be a little more liberal in their credit standards. They do not, however, plan to couple more liberal credit standards with more liberal loans. They wish to be sure that there is sufficient equity so that, in case of repossession, a car could be sold without serious loss. Particular caution is urged in the case of 1961 models financed from this point on, and in the case of most foreign cars.

More Liberal Loans

September 1961

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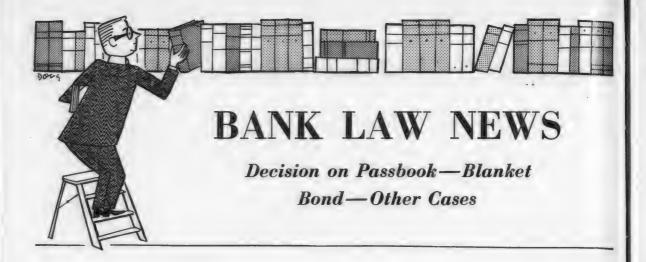
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COURT DECISION ON PASSBOOK

Savings bank bound by its rule requiring production of original passbook for withdrawal of funds.

The Rhode Island Supreme Court recently ruled that a savings bank was liable to one co-depositor where it permitted the other co-depositor to withdraw the entire amount of a two-name account on presentation of a duplicate passbook although the bank's rules required production of the original passbook.

A husband and wife had opened a joint savings account. The bank's rules, printed in the passbook, provided that deposits could not be withdrawn unless the customer produced the original passbook.

The wife retained possession of the passbook. Not satisfied with this arrangement, the husband falsely reported to the bank that the original had been lost. He made application for, and was issued, a duplicate passbook, with the wife's knowledge or consent. He then proceeded to withdraw all of the money in the account without, of course, informing his wife or obtaining her consent.

In this action by the wife against the bank to recover the amount withdrawn by the husband, the court rendered a judgment for the wife. The bank, said the court, was obliged to require the production of the original passbook before paying out any part of the money on deposit, and when it paid the husband without requiring that he produce the original passbook, the bank committed a breach of its contract with the wife.

The bank had contended that it was not liable because the Rhode Island Deposits in Two Names Act, Gen. Laws, §19-11-14, permitted it to make payment to either of the co-depositors. This argument was rejected by the court. The act afforded no protection to the bank because it had agreed with the depositors that it would not permit withdrawals unless the original passbook was produced. Each of the depositors was a party to this agreement, and the rule could be waived by the bank only with the consent of both depositors.

The bank had also argued that the so-called lost bank book act, Gen. Laws \$19-11-17, which permits a bank to issue a duplicate passbook in the event the original is lost, relieved the bank of liability. This contention proved equally unconvincing. The court conceded that when a duplicate passbook is issued pursuant to the statute, the original becomes null and void. However, said the court, the statute was not intended to be invoked for the purpose of altering the terms of contracts existing between a bank and its depositors without the depositors' consent. Therefore, since the wife had no knowledge of, and did not consent to, the issuance of the duplicate passbook, it did not obtain the status of an original passbook, and the contract between the wife and the bank remained in effect, its terms unchanged by the issuance of the duplicate passbook. Griffin v. Centreville Savings Bank (R.I.) 171 Atl. (2d) 204.

BLANKET BOND

Forgery and counterfeiting clauses do not cover loss sustained on notes and chattel mortgages executed by one not the owner of mortgaged property.

A bank had financed a dealer's purchases of automobiles on a floor-plan arrangement, with the dealer executing a note secured by a chattel mortgage on each car. The bank eventually discovered that although the dealer's signatures on the notes and mortgages were genuine, he did not own the cars when he executed the instruments.

In seeking to recover the amount of the unpaid notes from its bonding company, the bank contended that the dealer's acts constituted either a forgery or a counterfeiting within the terms of Clauses D and E, Bankers Blanket Bond, Standard Form No. 24.

The bonding company argued that since the notes and mortgages bore the dealer's genuine signatures, they were neither forged nor counterfeited within the coverage of the bond.

Unfortunately for the bank, the United States Court of Appeals for the Eighth Circuit, applying Missouri law, agreed with the bonding company. Generally, said the court, forgery means the act of forging, false making, fabricating or producing falsely. The noun counterfeit means "that which is made in imitation of something with a view to deceive," and the verb counterfeit means to imitate. The definitions, said the court, implied "falsification"

(CONTINUED ON PAGE 82)

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(CONTINUED FROM PAGE 80) and lack of genuineness in the instrument itself rather than in its content."

Thus, although the dealer had unquestionably defrauded the bank in representing that he owned the cars when he signed the notes and mort. gages, yet because his signatures on the instruments were genuine, is acts constituted neither forgery nor counterfeiting within the language of the bond. State Bank of Popular Bluff v. Maryland Casualty Co. (C.A., Mo.) 289 Fed. (2d) 544.

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BRIEF NOTES ON OTHER CASES

Federal tax liens. Where, pursuant to real estate mortgage provisions and to protect its primary lien, mortgagee paid local taxes levied against mortgaged premises after filing of Federal tax lien, payments by mortgagee were subordinated to tax lien. Union Central Life Ins. Co. v. Peters (Mich.) 105 N.W. (2d) 196. See also Co-operative Loan & Savings Society v. McDermott (N.Y. County Ct.) 204 N.Y.S. (2d) 919 and Auburn Savings Bank v. Murphy (N.Y. Sup. Ct.) 204 N.Y.S. (2d) 748.

Share accounts. Federal Court of Appeals for the District of Columbia rules that a "share" in a Federal savings and loan association is an investment, and is not equivalent to the deposit of money in a bank. Aetna Casualty & Surety Co. v. Porter (C.A., D.C., #16,066).

Usury. Where note secured by mortgage on Idaho realty was executed in Idaho by Idaho resident, but note and mortgage were prepared, made payable, and delivered in state of Washington to resident of latter state, court ruled note valid because Washington law was controlling in determining whether the transaction was usurious. Note was usurious under Idaho law. Whitman v. Green (C.A., Idaho) 289 Fed. (2d) 566.

Mortgage foreclosure. Mortgagee was entitled to judgment of foreclosure where mortgage terms permitted it to accelerate due date of mortgage debt if mortgagor failed to pay taxes assessed against mortgaged property. Mortgagor's contention that it had failed to pay taxes be-

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The Netherlands Bankers Association has asked BANK-ING to inform American correspondents that all banks in the Netherlands are closed on Saturdays.

cause they were illegal and void constituted no defense to the foreclosure action. Shaker Central Trust Fund v. Crusade for Christ, Inc. (N.Y. Sup. Ct.) 215 N.Y.S., (2d) 13

Two-name deposits. New Hampshire statue, §384:28, enacted in 1953, providing that an account maintained in any bank in the names of two persons payable to either and to the survivor shall, upon the death of either, become the property of the survivor, operates to vest title to two-name account in the survivor. Parenteau v. Gaillardetz (N. H.) 166 Atl. (2d) 112.

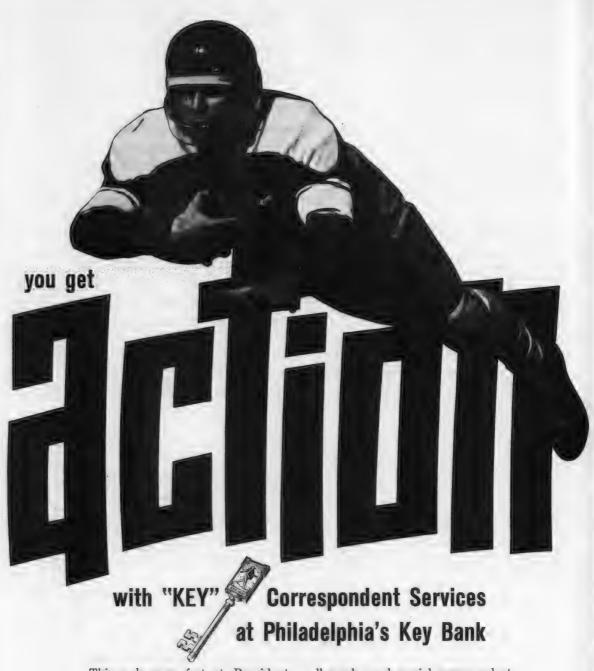
Forged checks. Drawee bank awarded judgment against bank which negligently cashed \$3,940 forged check for stranger after cashing bank had been informed by drawee that there was no account in name of purported drawer of check. Mechanics Nat. Bank v. Worcester County Trust Co. (Mass.) 170 N.E. (2d) 476.

Checks. Florida statute declares that all gambling contracts are void. Therefore, a check delivered in Nevada in payment for a gambling debt, though valid there, will not be enforced in Florida because it is contrary to public policy. Young v. Sands, Inc. (Fla. App.) 122 So. (2d) 618.

Statute of limitations. In the case of promissory note payable on demand, the statute of limitations begins to run in favor of the maker from the date of execution and delivery of the note. Rickenbach v. Noecker Shipbuilding Co. (N.J.) 169 Atl. (2d) 730.

Promissory notes. In West Virginia a provision for an attorney's fee contained in a note is unenforceable because it is contrary to the public policy of the state. Gavenda Brothers v. Elkins Limestone Co. (W.Va.) 116 S.E. (2d) 910.





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Computer Streamlines Farm Accounting

Texas A. & M. College's Data Center Sets up Programing Schedule for Poultry Farmers and Others

A. B. KENNERLY

Mr. Kennerly is an agricultural writer of College Station, Tex. He is a former editor of Farm and Ranch magazine.

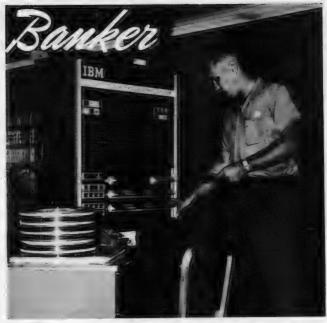
AN AGRICULTURAL banker stated recently, "In another 10 years, farmers who do not have good records of their farm business will not get loans. It takes as long as five hours to process a loan where the customer has meager records. With good records, we can process the loan in about 30 minutes."

At the present rate of progress in agricultural accounting, the simple record books that farmers shy away from today will not be acceptable even five years from now. The electronic computing systems are giving a big advantage to those farmers who are making use of them in their record keeping.

\$6,000 per Year Cost Reduction

Some poultry enterprises, like the Delight Egg Farms at Hope, Ark., are already using computers to figure their costs of operations. "If we reduce the cost of an item by as much as one-tenth of a cent per dozen, we reduce our costs by \$6,000 per year," explains John Randolph, business manager of the farms.

"Chance decisions and slipshod record keeping are rapidly becoming things of the past in modern cage layer production," Mr. Randolph add-



Mr. Williams is shown checking on some information received from farmers for processing at the Texas A. & M. College's Data Processing

Center

ed. "The business and record keeping side of poultry needs as much or more emphasis than the production side. Profit margins are getting so slim that decisions must be right the first time. The chief source of information lies in accounting records. Our organization has 300,000 hens and our chart of accounts has 19 items used in the calculation of egg costs."

In addition to the 19 cost of production items, Mr. Randolph uses an additional 19 classifications into which the expenses for egg handling and processing are divided. These costs are spread on a per dozen basis and cover items such as supervision, direct processing labor, cases, fillers and flats, egg cartons, rent, utilities, depreciation, repairs, and maintenance.

"We have a procedure under which we get a complete financial report every four weeks," he explains. "We know what our costs are in each accounting period. As we move along, we should be able to predict our costs at least 30 days in advance with a high degree of accuracy. Such information will permit us to put our finger on problem areas. We are not always able to solve these problems, but we know of their existence."

Farmers Forced to Electronic Use

What the Delight Egg Farms are doing in poultry accounting can be

done in any other phase of agricultural enterprises. John D. Williams of the Data Processing Center, Texas A. & M. College, is setting up programming schedules for poultry and several other enterprises. "It requires sufficient volume to justify the cost, but farmers are being forced already to higher volume scales of doing business," he points out.

Cost Accounting for Feed Lots

Cattle feed lots are another example of an enterprise that can respond to detailed cost accounting. Mr. Williams is setting up programs for research in livestock, field crops, vegetables, dairying, and poultry. Individual operators will come into the program as the larger ones see the opportunity for whittling costs in areas where they cannot possibly know the costs without computer services.

One poultry operator in East Texas, whose wife is an accountant, discovered that broilers from one of his houses consistently cost more to produce. It took several weeks to discover that broilers in that house were not getting enough water to drink. Another well solved the problem.

"There won't be such a delay with our system of least cost accounting," Mr. Williams emphasizes. "We include everything that even remotely enters into the cost, and water would certainly be included. That trouble would have shown up along with the discovery that the house was losing money."

Data Processing Simplifies Task

The new system of farm accounting does not add burdens to the farmer in record keeping. It simplifies his task, since he has only to record the data. This would be mainly time, material, and costs. He would jot down the time he started a job, when he finished, how much feed was used, medication, and other items that go into the cost of production. At the end of the month the items are added up, coded, and sent to the processing center. The machines do the rest.

"We do not attempt to interpret the results or make recommendations," Mr. Williams points out. "We just supply the farmer with results and let him make his decisions."

Not only will bankers have the advantage of more detailed information on operating expense loans, but the advantages and disadvantages of purchasing new equipment can be computed.

"If a farmer desired a loan to purchase a feed mill, for example, he can compute the advantage by feeding into the computer all of the costs of operating under his present system," said Mr. Williams. "Then, assembling all of the information from different sources, the cost of operations with the new equipment can be computed. This will take the guess out of loans for farm equipment."

But some of the most amazing discoveries are yet to come. Transportation companies and milk distributors use computers to determine the shortest routes to cover their territories. Mr. Williams believes it is feasible for farmers to use the same methods for setting patterns to do routine work on farms. "That will eliminate many steps from the old order of doing farm chores," he predicts.

Not only will these computers show how to save money. They can reveal to farmers the most profitable ways to spend their money—before they've spent it on something else!

STRINGS ATTACHED

My job, alas, does not provide
Effective price-rise hedges.
Fringe benefits I thought I spied
Turned out to be frayed edges.
IRENE WARSAW

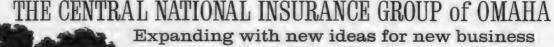
Louisianians Tour States

Two hundred Louisiana bankers and farmers toured Ohio, New York, and Pennsylvania by special train in July to gather new ideas for Louisiana agriculture. This was the eighth such tour cosponsored by the Louisiana Bankers Association and the Louisiana Association of Soil Conservation District Supervisors.

While in Ohio the group visited the Central Ohio Breeding Association farm, one of the largest artificial insemination establishments in the nation. In up-state New York, they saw the nation's largest rose producing area, the sauerkraut center of the country, grape growing area of the Finger Lakes, and visited the Cornell University agricultural plant.

While in Pennsylvania the group toured Lancaster County, known as the leading agricultural county in the United States. They also visited the progressive and up-to-date Hershey Estates farming operation.

Richard Thompson, president of the supervisors, reports that the tours have resulted in much benefit for both farmers and bankers in Louisiana





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NEWS for Country Bankers

This department is edited by MARY B. LEACH of BANKING'S staff.

Vo-Ag Teacher Scholarships

SIX vocational agriculture instructors from California high schools attended university courses this past summer on scholarships provided by the Bank of America. The scholarship program was initiated last year and permits the winners to use their scholarships at any 4-year agricultural college in the state.

Winners of the \$200 awards were announced by J. Earl Coke, vice-president and agricultural representative at B of A's San Francisco office. "The program is designed to encourage high school farm teachers to seek and qualify for professional advancement," said Mr. Coke.

In making the selection, the Scholarship Committee of the California Bureau of Agricultural education took into account the instructor's proven teaching ability and his professional goal. Each competed only against other teachers applying in his own geographical area.

Farm Management School for Farmers

Seventy farmers attended the Farm Management School conducted last winter by the Special Agent in Test-Demonstration and the county agent of Rutherford County, Tenn. Classes were held one night a week for seven weeks, with an average attendance of 50. At each meeting a different subject was discussed, including the following: (1) Trends and outlook; (2) soils and soil management; (3) crops; (4) livestock; (5) farm machinery (6) principles of farm management; and (7) farm credit.

The farmers were selected by and through their various clubs, agent's office, soil demonstration program, and as a result of contacts made by Luther K. Myers, assistant cashier and farm representative, Commerce Union Bank, Murfreesboro. Although Mr. Myers cooperated closely with the county agent on the subjects to be taught and the material to be used the bank was not mentioned as a co-sponsor in the invitations to farmers or during the course.

At the concluding session, the farmers answered 100% in the affirmative the question: "Would you recommend classes of this type for other farmers?"

Mr. Myers reports that "plans are now being made for another school later this year which will cover more specific areas; namely, extra money crops, milk production, and farm machinery." The bank sees direct results from the first school. "Requests are being received for help on more complete farm management and planning," said Mr. Myers.

Wachovia Conducts Two Aéribusiness Tours

THE Wachovia Bank and Trust Company, Winston-Salem, N. C., co-sponsors two agribusiness caravans each summer, one in cooperation with Clemson College, Clemson,

S. C., for South Carolina bankers and agricultural leaders, and the other in cooperation with the North Carolina State College and North Carolina Department of Agriculture, for bankers and farm representatives in five southeastern states.

The first caravan, which included 87 people, flew from South Carolina to California, where the caravaners, toured, by charted buses, farm and metropolitan areas between Los Angeles and San Francisco.

This group inspected farms and markets and processing plants, both large and small, the primary criteria being that they be efficient and offer ideas that could be applied effectively to South Carolina agriculture, said Henry M. Simons, Jr., assistant vice-president of Wachovia and manager of the Agricultural Department of the Charlotte office.

More than 150 leaders from the southeastern states participated in a 7-day tour of Mississippi, Texas, and Louisiana. This tour was under the direction of Wayne A. Corpening, vice-president of Wachovia and manager of its Agricultural Department at the main office in Winston-Salem.

In Mississippi, the caravaners vis-(CONTINUED ON PAGE 90)

John F. Watlington, Jr., Wachovia Bank president, left, foreground, led the 150 caravaners on a tour of the produce terminal in San Antonio. The market is owned and controlled by wholesalers, brokers, farmers, truckers, and others directly interested in farm produce marketing





Purina Dealer Kline (left) discusses his brood herd of Angus cattle with Bank President Bell (right) and C. C. Ikenberry, Public Relations Director of The Rockingham National Bank.

"WORKING WITH OUR PURINA DEALER, WE'VE HELPED EXPAND AGRICULTURE"

—says FRANCIS BELL, JR., President, The Rockingham National Bank, Harrisonburg, Virginia

Rockingham County in the Shenandoah Valley of Virginia is rich in history and legend. It has a prosperous . . . and growing . . . animal agriculture. Sleek cattle fatten in its feedlots, singing hens send carloads of eggs to market, and Rockingham turkeys are famous for quality. It is Virginia's leading dairy county.

Much of this progress and the optimism for the future are results of teamwork of The Rockingham National Bank and Homer R. Kline's Purina Dealership in Harrisonburg. Mr. Kline's farming, financed by the Bank, demonstrates profitability of well-managed livestock and poultry. Many Kline cus-

tomers are financed by the Bank, either directly or through the Dealership.

Teamwork with the Purina Dealer is good business for The Rocking-ham National Bank, and it is a contribution to the county's agricultural progress.

Write for a complimentary copy of the booklet: "New Profit Opportunities with Agricultural Loans." It reviews modern agricultural trends and gives actual experiences of bankers who have profited by working with Purina Dealers. Address: Public Relations Department, Raiston Purina Company, Checkerboard Square, St. Louis 2, Missouri.



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ited outstanding examples of town and country cooperating to increase per capital income as well as large, diversified Delta farming operations. In Dallas, some 60 business executives joined the party at dinner and heard a discussion of "What Agribusiness Means to Dallas"; in San Antonio, the tourists visited the city's Terminal Market and nearby produce farming operations, the Southwest Agricultural Institute, and the Essar Ranch. The 4-bus caravan also toured the agriculturally rich lower Rio Grande Valley and made a stop-over at the King Ranch, famous for its cow and calf herds, feeding operations, and quarter

At other stops, including New Orleans, the caravaners had an opportunity to study methods used to develop port facilities as a means of stimulating both industrial and agricultural growth.

NYSBA's Classroom in Sky

THE curriculum of the Bankers School of Agriculture sponsored by the New York State Bankers Association this summer at the State College of Agriculture at Cornell University included a "classroom in the sky," which served as a laboratory to study farming in New York State.

The bankers studied the fundamentals of agriculture and farm management to obtain a knowledgeable basis for the extension of farm



DAIRY MONTH DISPLAY

The Hunterdon County National Bank of Flemington, N. J., celebrated Dairy Month with a 12-foot-long window display which included a mechanical cow, the Governor's proclamation setting aside Dairy Month in New Jersey, and posters promoting the use of dairy products. The cow attracted much attention by switching her tail and chewing her cud. Dairy month was also featured in the bank's four branches

credit. The curriculum dealt with farm management, agronomy, marketing, animal husbandry, farm appraisal, accounting, farm machinery, and capital investment.

An aerial land tour offered, for the first time, a bird's eye evaluation of farm enterprise. Bankers saw at a glance where fields, roads, water supply, transportation facilities and community services were located. They also learned how to use aerial photos in farm credit.

A running commentary, lectures, and interpretation of the scenes were provided by the professional teaching staff of the college.

The NYSBA's school of agriculture was founded in 1946 and is the oldest educational program of its kind in the United States.

About 108 bankers from banks in New York State participated in either the week-long school or in a special day-and-a-half graduate seminar dealing with the economics of agriculture.

Farm Management Course for 30 B of A Officers

This year 30 Bank of America officers from branches throughout California attended the bank's sixth annual farm management seminar, held at the University of California at Davis.

The special training program, developed by the bank in cooperation with the university's extension service, is designed to provide bank officers with up-to-date information on current agricultural developments and problems.

During the intensified training course, participants attended morning on-campus lectures by 44 university faculty members on a variety of agricultural subjects.

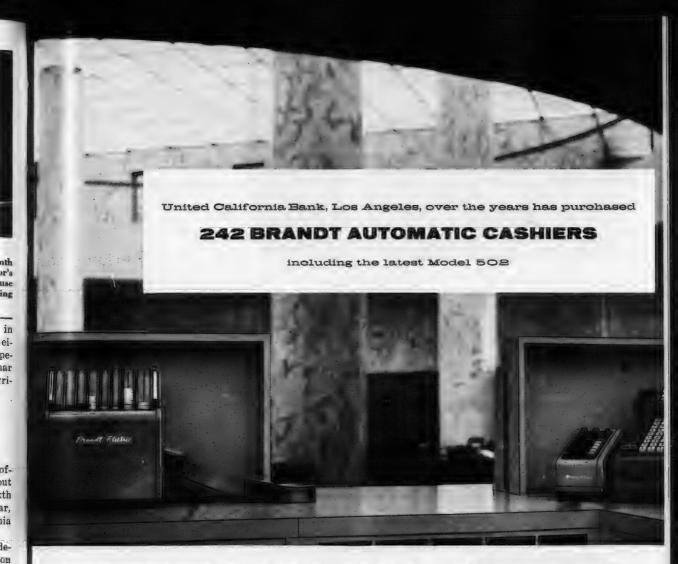
The bankers also took afternoon field trips to farms and ranches and participated in evening roundtable discussions on government and farm programs.

Twenty other B of A officers attended a 2-week seminar on the Berkeley campus of the university. They spent their days in information-packed classroom sessions. Every evening, senior bank executives led discussions to correlate the day's classroom activities with banking practices. The program was supple-

(CONTINUED ON PAGE 92)

Bank of America officers turn butchers for a day during a 2-week agricultural seminar at the University of California. Henry J. Seiler, manager of a San Francisco meat processing center, right, explains beef aging to (left to right) Ben B. Briley, Davis; Karl Haeuser, Chico; and Kenneth V. Larkin, Sacramento





A Model 502 Electric Brandt Automatic Cashier in use by the United California Bank with the coin dispenser to the left of the deal plate and the compact keyboard to the right.

For many years the United California Bank, Los Angeles, California has used Brandt Automatic Cashiers to provide its customers with speedy, absolutely accurate coin paying service.

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Officers of the Association of Bank Agricultural Representatives elected at the tenth annual meeting of the group: Left to right, R. H. Braford, assistant cashier and farm representative, The Farmers Bank of Nansemond, Suffolk, Va., program chairman; Foy N. Goforth, assistant vice-president, Branch Banking & Trust Company, Wilson, N. C. secretary-treasurer; M. Edmund Aycock, assistant vice-president and manager, Agricultural Department, Wachovia Bank and Trust Company, Raleigh, N. C., president; and Willis Hancock, agricultural representative, County Trust Company, Salisbury, Md., vice-president

SPECIAL CHECKS

There are possibly a half million business firms in the country who buy their checks direct from printers without consulting their banks concerning format. These special checks are commonly referred to as "uncontrolled items," probably because banks are not involved in their purchase. Under MICR, however, banks have a vested interest in these checks and naturally want to exercise some control with respect to design.

The large business organizations are familiar with MICR requirements and in all likelihood have already redesigned their checks to accommodate encoding. The mediumsized firms, for the most part, still face the problem of redesign and this group could be more cost conscious. This is where considerable expense can be saved for both the customers and the banks, if their so-called "special checks" can be switched to standardized forms available from the catalogs of check printers.

We display in our catalog a rather large selection of voucher and payroll checks which could-in most instances at lower cost - serve the needs of those who now use special

checks. For the convenience of bank people who contact corporate accounts, we have prepared two small booklets picturing these checks and we would be pleased to supply as many copies as may be needed to banks who now are engaged in approaching their customers on the question of check redesign. If you wish any copies of these booklets, simply write to our Advertising Department at 4435 West Belmont Avenue, Chicago 41, Illinois.

One of the side benefits of the MICR program will be greater standardization of check forms. Ever since 1913 the banking fraternity has been trying to standardize and simplify check layout, but at no time in the past has there existed such a need to accomplish this. Now the need exists and the opportunity is here to eliminate "headache checks." There still is room on the check for a reasonable display of individuality but it can be worked into the standard layout without affecting the check's value as a source document. If we can be of help in standardizing the check forms of your customers, please call upon us.

Manufacturing Plants at: CLIPTON, NORWALK, PAOLI, CLEVELAND, DETROIT, INDIANAPOLIS, CHICAGO, KANSAS CITY, ST. PAUL, DALLAS, CHATSWORTH, PORTLAND

mented by three short field trips throughout canneries, food research laboratories, a meat processing center, and a wholesale produce market. Started in 1958, this year's seminar emphasized the evaluation of management ability.

Farm Engineering Show

GRICULTURAL Engineering Exposi-Ation, a new trade show, will be held in Chicago in conjunction with the 1961 meeting of the American Society of Agricultural Engineers.

This display and demonstration of equipment components and new products known to be of interest to agricultural engineers will occupy the exhibit hall of the Palmer House from December 12-14.

Full information regarding the Agricultural Engineering Exposition may be obtained from Shea Expositions Corporation, One Gateway Center, Pittsburgh 22, Pa.

Minnesota's Scholarships for Young Farmers

N a new education program sponsored by the Minnesota Bankers Association, bankers in many Minnesota counties are awarding \$400 scholarships to high school graduates for the technical certificate program at the University of Minnesota's College of Agriculture.

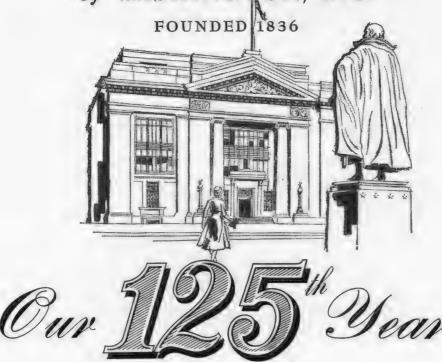
Scholarships are financed by each county bankers' association and selection is made from applicants by county committees, usually all nonbankers, consisting of the county agent, vocational-agricultural instructors, and head of schools.

Work on the statewide scholarship program has been in the hands of the MBA Youth Activities Committee. chaired in 1960-61 by C. Paul Lindassistant vice-president, Northwestern National Bank of Minneapolis. Lindholm and his committee, working with the MBA office, formulated plans for a scholarship to enable deserving students to attend the College of Agriculture and return to their communities betterprepared for a career in agriculture. The new plan replaces an earlier scholarship program for the School of Agriculture, which was discontinued when the new College was founded.

(CONTINUED ON PAGE 94)

The RIGGS NATIONAL BANK

of WASHINGTON, D.C.



ROBERT V. FLEMING Chairman of the Board RICHARD A. NORRIS President



Founded during the administration of Andrew Jackson, the 7th President of our United States, The Riggs National Bank enters its One Hundred and Twenty-Fifth year with a deep sense of pride and satisfaction in our long history which stretches back to the early days of the Republic. During this time we have served our city and our country without interruption . . . without default . . . and with never a faltering in the confidence and esteem of those served.

In this, the dawning of our 125th Anniverary Year, we rededicate ourselves, as we have every year since 1836, to offering progressive, dependable banking service to our customers, our community, and our nation.

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Dr. Mauch Discusses Why Our Farm Programs Have Failed and Suggests What Should Be Done

DR. ARTHUR MAUCH, professor of Agricultural Economics, Michigan State University, East Lansing, writting in August BANKING, entitled his article: "Do We Really Have a New Frontier in Farm Programs?" In the summary which follows, Dr. Mauch tells why he thinks efforts to improve per capita farm income have been self-defeating. He also tells what he thinks future farm programs should provide.

In the long-run, all programs to improve per capital farm income by raising farm prices above competitive levels, (in our dynamic society and within our general economic framework) tend to be self-defeating.

They either (1) induce farmers to add more capital inputs (especially fertilizer); (2) hold too many human resources on the farms; (3) reduce consumption of food; or (4) are capitalized into the value of land,

In the short-run, effective price programs can raise per capita farm income; and since farmers should not be penalized for the things in our economy for which they are not responsible, they have considerable justification. Farmers must operate in a competitive market while we have created a favorable environment for monopolistic elements for much of industry and labor. The inelastic demand for farm products penalizes productivity—the more agriculture produces the less the reward.

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We have on our shelves rate charts for consumer finance which are standard and economical. They are computed add-on, discount or constant ratio, with or without credit life — and even with accident and health insurance.

You may buy these for any rate of charge, any credit life insurance rate, and any A&H rate. The cost is \$5 per 100 without credit insurance, \$12

per 100 with credit life only, or \$30 per 100 with L-A-H. All are size 6\% x4 inches.

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Minimize Distortions

Future farm programs should minimize distortions in the market place, should encourage economic adjustments within agriculture, and encourage migration to nonfarm jobs of those who can be more productive outside of farming.

Since our basic problem stems from having too many resources at work producing our food and fiber, our goal will not be achieved until we shift some of these resources to nonfarm production.

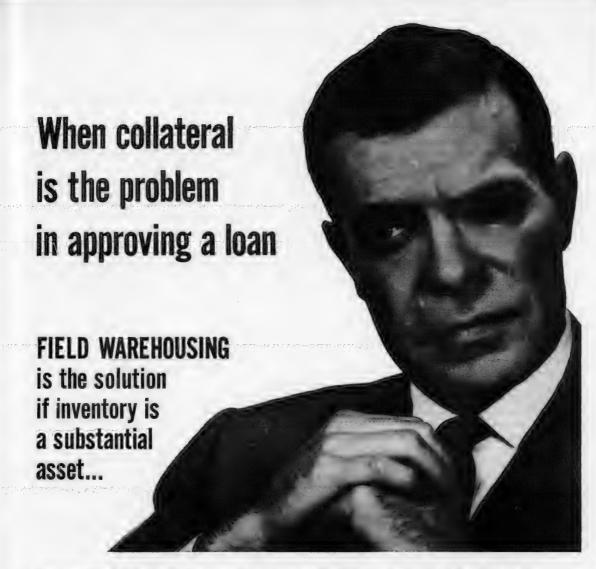
It will not be enough to take out pieces of land. Capital will be substituted. A successful program must remove the human resource and the capital along with the land in order to reduce production. In a democracy this must be done without coercion and with the consent of the people.

The real obstacle to obtaining a farm program that will balance production with market demand is the difficulty of making a program sound economically and, at the same time, acceptable politically.

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Is your principal interest, when you invest, Concerned with principal—or interest? One may become financially invincible . . . (With sufficient interest on his principal!)

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actions, greatly simplifying the work of the collateral department and reviewing officer.

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Agricultural Credit Conference Theme:

Providing Complete Financial Service

Two panels and a complete afternoon of audience participation bull sessions will be featured at the National Agricultural Credit Conference planned by the Agricultural Committee of The American Bankers Association for the Statler Hilton Hotel, Dallas, Tex., November 13 and 14, according to John H. Crocker, chairman of the committee and chairman, Citizens National Bank, Decatur, Ill.

Dr. Charls E. Walker, who recently became executive vice-president of The American Bankers Association, will be the keynote speaker at a Monday night dinner session.

In addition to formal addresses by some of the nation's outstanding agricultural leaders, the bankers attending will have an opportunity to participate in discussions concerned with bank operations and administration in the agricultural field.

The first such discussion will be a panel on Monday morning on "Providing a Complete Financial Service."- Edward M. Norman, president, The First National Bank of Clarksville, Tenn., will be moderator; and the panelists will include: C. Rupert Evans, president, The First National Bank, Lake Providence, La.; Francis E. Ferguson, manager, farm mortgages, The Northwestern Mutual Life Insurance Company, Milwaukee, Wis.; John K. Gayden, vice-president, Deposit Guaranty Bank & Trust Company, Jackson, Miss.; and S. Edgar Lauther, president, Irwin Union Bank and Trust Company, Columbus, Ind.

Livestock Feeding Panel

The second panel will be on "Which Way Is Livestock Feeding Going?" for which William E. Drenner, president, The City National Bank, Fort Smith, Ark., will be moderator. The panelists will include: Kenneth Anderson, vice-president, Anderson Cattle Company, Emporia, Kans.; William Bonner, who has a large livestock operation at Gainesville, Tex.; C. Ellis Clark, agricultural consultant, The First National Bank, Miami, Fla.; Durwood Lewter, Lewter Feedlots, Lubbock, Tex.; and Wayne M. Thorndyke, vice-president, The U.S. National Bank, Omaha, Nebr.

The formal addresses on Monday morning will include "American Agriculture in the '60s" by Dr. Tyrus R. Timm, head, Department of Agricultural Economics and Sociology, Texas A. & M. College, College Station; and "What's Ahead for Agriculture and Banking?" by Dr. Kenneth Hood, director of Commodity Division, American Farm Bureau Federation, Chicago.

Farmers' Attitudes on Use of Credit

Presiding at Monday afternoon's session will be Harry W. Schaller, president, The Citizens First National Bank, Storm Lake, Iowa, a former chairman of the A.B.A. Agricultural Committee. He will introduce a flannelboard presentation by Dr. George M. Beal and Dr. Joseph M. Bohlen, both professors, rural sociology, Iowa State University, Ames. Their subject will be "Farmers' Attitudes Toward the Use of Credit." This will be followed by seven simultaneous audience participation bull sessions, with Dr. Timm as coordinator. Some of the nation's outstanding agricultural bankers will be discussion leaders for the various groups.

On Monday evening the conference will be entertained by the Dallas Clearing House Association at a reception, to be followed by a dinner at which Ben H. Wooten, chairman of the A.B.A. Centennial Commission and chairman of the board, First National Bank, Dallas, and Dr. Walker will be the speakers.

On Tuesday the conference will be guests at breakfast of the Doane Agricultural Service, Inc., of St. Louis.

Joe A. Clarke, executive vice-president, Fort Worth National Bank, will preside at the Tuesday session, which will be addressed by Charles N. Shepardson, governor, Federal Reserve System, Washington, D.C. This session will feature the panel, "Which Way Is Livestock Feeding Going?" to be followed by a luncheon session at which Jan Barton, a Texas 4-H Club member, will be one of the speakers.

John H. Crocker



C. N. Shepardson



Charls E. Walker



Wm. E. Drenner



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BANKING

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BANKING NEWS

Secretary C. Douglas Dillon Is Among Industry, Bank, and Government Leaders to Speak at A.B.A. Convention

Secretary of the Treasury C. Douglas Dillon will be among the financial, business, and Government leaders to address sessions of the 87th Annual Convention of The American Bankers Association in San Francisco October 15-18, according to a preliminary program of the meeting announced by the Association's president, Carl A. Bimson. Mr. Bimson is president of the Valley National Bank of Arizona, Phoenix. Member banks of the San Francisco Clearing House Association will be official hosts to the convention.

In addition to Secretary Dillon, speakers scheduled to address the two general sessions on Tuesday, October 17, and Wednesday, October 18, include A.B.A. President Bimson; Robert W. Galvin, president, Motorola, Inc., Chicago; Roy L. Reierson, senior vice-president, Bankers Trust Company, New York; and movie star Ronald Reagan, Pacific Palisades, California.

Divisional Speakers

Speakers at the annual meetings of the A.B.A. divisions to be held on Monday include: George Champion, chairman of the board, The Chase Manhattan Bank, New York City; State Bank Division President Roland L. Adams, president, Bank of York, Ala.; Robert L. Myers, first vicepresident, National Association of Supervisors of State Banks and Secretary of Banking for Pennsylvania. Harrisburg: National Bank Division President Ben H. Wooten, chairman of the board, First National Bank, Dallas; Comptroller of the Currency Ray M. Gidney, Washington, D. C.; Congressman Thomas B. Curtis, Webster Groves, Mo.; Trust Division President Robert R. Duncan, chairman of the board, Harvard Trust Company, Cambridge, Mass.; Eliot J. Swan, president, Federal Reserve Bank, San Francisco; Savings Division President Gaylord A. Freeman, Jr., president, The First National Bank of Chicago; Charles M. Williams, Edmund Cogswell Converse



C. Douglas Dillon



Carl A. Bimson

Professor of Banking and Finance, Harvard University Graduate School of Business Administration, Boston; S. Edgar Lauther, president, Irwin Union Bank & Trust Company, Columbus, Inc.; and Courtenay J. Moon, vice-president and creative director, Johnson & Lewis, Inc., San Francisco.

All of the convention sessions will be held in the Civic Auditorium. The general sessions will be in Convention Hall of the Auditorium, while the Division meetings will be in Convention Hall and Larkin Hall.

Registration will open on Satur-

NABAC Will Hold 37th Annual Convention in Chicago, Sept. 11-13

NABAC, The Association for Bank Audit, Control and Operation, holds its 37th annual convention in Chicago, Sept. 11-13. A full program of technical sessions, ranging from auditing, automation, expense accounts and personnel to the pricing of and marketing of bank services, has been arranged.

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The opening address will be by Sam M. Fleming, vice-president of The American Bankers Association, and president, Third National Bank, Nashville, Tenn. The keynote speaker is Gaylord A. Freeman, Jr., president, The First National Bank of Chicago, and president of the A.B.A. Savings Division.

(CONTINUED ON PAGE 102)

day, October 14, and will be in Brooks Hall, adjacent to the Civic Auditorium. Brooks Hall will also house the educational displays.

Committees Meet on Sunday

Sunday, October 15, will be occupied with executive meetings of A.B.A. committees and other working groups.

On Monday morning, October 16, a traditional convention feature will be the Agricultural Subscription Breakfast sponsored by the A.B.A. Agricultural Committee in the Gold Ballroom of the Sheraton-Palace Hotel. Committee Chairman John H. Crocker, chairman of the board, Citizens National Bank, Decatur, Ill., will preside. W. B. Camp, president, W. B. Camp & Sons, Inc., Bakersfield, Calif., will be the speaker.

Entertainment features in connection with the convention will include an informal reception on Sunday at the Sheraton-Palace Hotel, a ladies' luncheon and fashion show on Monday, and a cruise of San Francisco Bay on Monday and Tuesday. Ernie Heckscher and his orchestra will entertain in the Civic Auditorium on Tuesday evening.

Robert G. Howard Will Supervise and Coordinate All A.B.A. PR Activities

Gordon R. McLean Becomes Deputy Mgr. in charge of Trust Division

In the interests of coordinating planning and activities among departments with similar interests at the national headquarters of The American Bankers Association, Dr. Charls E. Walker, executive vice-president, announced two staff changes which will become effective on September 1.

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Deputy Manager Robert H. Howard, who has been secretary of the Trust Division and director of the Public Relations Committee, will relinguish his responsibilities in the Trust Division and will assume senior staff supervision of Public Relations, the New Bureau, and the Advertising Department. On February 1, 1962, upon the retirement of Senior Deputy Manager William R. Kuhns as editor of BANKING, journal of the Association, Mr. Howard will exercise similar supervisory responsibilities with respect to that publication.

McLean Goes to Trust

Dr. Gordon A. McLean, who has been secretary of the Economic Policy Committee in the Department of Economics and Research, will become deputy manager and secretary of the Trust Division.

In announcing the new staff assignments, Dr. Walker said, "Our purpose is to coordinate activities of departments with similar functions in the broad area of communications and public relations, and to place the important activities of the Trust Division under a staff head who can devote his undivided attention to them. Each of the departments—Public Relations, the News Bureau, Advertising, and BANKING—will continue to function under its operating head and provide the service to our membership as it has in the past."

Mr. Howard joined the staff of The American Bankers Association in March of 1957 as assistant to the executive manager; on January 1, 1958, he was appointed director of the Association's News Bureau; on April 1, 1959, he assumed the addi-

Most Bank Employees Included in \$1.15 and \$1.25 Per Hour Minimum Rate Effective Sept. 1961 and Sept. 1963

On September 3, 1961 the new \$1.15 per hour minimum wage goes into effect for all employees previously covered by the Fair Labor Standards Act. This includes practically all bank employees. A further increase to \$1.25 is scheduled for September 3, 1963.

In order to provide member banks with up-to-date information on the Wage-Hour Laws and Regulations. the A.B.A. has published handbooks in 1950, 1956, and a supplement to the 1956 edition in 1959. The Bank Executive and Staff Development Committee of the Association is preparing a 1961 edition which will incorporate material still applicable from the earlier editions and the supplement, revised to give effect to the 1961 amendments. It had been hoped that it would be available by the effective date of the amendments. However, interpretations of some of the new amendments, which are of interest to banks, are, at this writing, still to be released by the Wage-Hour Division. Therefore, publication of the handbook has been delaved.

Prior to the 1961 amendments the question of whether an employee was covered by the act was determined on an individual employee basis. It was

tional title of director of the Public Relations Committee; on January 1, 1960, he became deputy manager and secretary of the Trust Division, retaining the title also as director of the Public Relations Committee.

Dr. McLean joined the staff of The American Bankers Association on October 1, 1959, as secretary of the Economic Policy Committee after having served for two years as chief of the Division of Research and Statistics of the New York State Banking Department.

R. G. Howard



G. A. McLean



the work performed by the individual which was the controlling factor. The employee himself had to be engaged in commerce or in the production of goods for commerce, as such terms are defined by the act, in order for him to be considered covered.

A New Coverage Factor

The 1961 amendments add a new factor in determining coverage. This is the "enterprise" concept provided for in Section 2(c) of the amendments or Section 3(r) and (s) of the Act. Subparagraph (3) of Section 3(s) which defines an enterprise is the one of interest to banks and reads as follows: "(3) Any establishment of any such enterprise,—, which has employees engaged in commerce or in the production of goods for commerce if the annual gross volume of sales of such enterprise is not less than \$1,000,000; . . ."

Under this new provision it is possible that some bank employees who were not formerly covered by the act because they were not engaged in commerce or in the production of goods for commerce may now be covered. These employees were probably few in number and their duties were not closely related to banking functions.

If interpretations by the Wage-Hour Division should result in these employees coming under the act for the first time, they would have to be paid at least \$1.00 per hour effective September 3, 1961; \$1.15 per hour effective September 3, 1964; and \$1.25 per hour effective September 3, 1965. Instead of being paid overtime at time and one-half their regular rate for all hours worked beyond 40 in a workweek as already covered employees are, the newly covered employees would not have to be paid overtime until two years from now. Effective September 3, 1963 they would receive overtime for all hours worked after 44 hours a workweek: effective September 3, 1964, after 42 hours; and effective September 3, 1965, after 40 hours.

The Association will continue to keep in touch with developments and will announce the availability of the revised handbook at the earliest practical date.

NABW Convention Program Includes Bankers, Lawyers, Industrialists, Legislators

39th Annual Meeting at Sheraton Hotel, Rochester, Oct. 9-12

The advance program for the 39th annual convention of the National Association of Bank Women has been released by Marion Anderton, president of the Association and assistant cashier of the Bank of America, San Francisco. The convention will be held on October 9-12 at the Sheraton Hotel in Rochester, N.Y.

Co-chairmen of the convention are Leah N. Woodruff, assistant secretary, Community Savings Bank, Rochester, and Katherine G. Love, assistant trust officer, Genessee Valley Union Trust Company, Rochester.

U.S. Senator Kenneth B. Keating will extend an official welcome to the NABW delegates at the opening session.

Remington, Linowitz to Speak

John W. Remington, chairman, Lincoln-Rochester Trust Company, will present scrolls to NABW "bankwomen-of-the-month" at a luncheon on Monday, October 9. Sol M. Linowitz, of Harris, Beach, Keating, Wilcox, Dale & Linowitz, and chairman, Xerox Corporation, Rochester, will speak on "Banking on Democracy."

Other convention speakers will include Hilda H. Kollman, NABW vice-president; Richard M. Samuels, chairman, The Kordite Company, Macedon, N.Y., on "Focus on Small Business"; J. Donald Fewster, treasurer, Eastman Kodak Company, on "Industry in the Picture"; and Donald R. Harter, of Strang, Wright, Combs, Wiser and Shaw, Rochester, N.Y.

Panel discussions will be built around the aforementioned speeches and on banking topics with various members of the NABW participating.

President Anderton will present the annual Jean Arnot Reid Award

Marion Anderton







Work in

Here are some of the projects now under way in the various departments of the American Bankers Association:

	Department	Type of Study	Approx. Completion Date
	Advertising Department	New direct mail folders New series of newspaper mats School Saver—autumn issue 1962 window and lobby display posters 1962 survey of comm'l bank advertising expenditures	Monthly October 1961 October 1961 November 1961 March 1962
	Advisory and International Committee	Semiannual report on International Finan- cial Developments	Fall 1961
	Agricultural Committee	Semiannual survey of banker opinion on farm credit conditions Agricultural Lending Agencies Proceedings—10th National Agricultural Credit Conference Providing a Complete Financial Service for	October 1961 November 1961 November 1961 1962
	American Institute of	Agriculture Textbooks: Argumentation and Debate by Lionel	January 1962
	Banking	Crocker, Denison University Business Administration by John A. Bryson, New York University	Fall 1963
		Commercial Law by James M. Landis Home Mortgage Lending Negotiable Instruments by James M. Landis Supervision and Training by James M. Slay, vice-president, Federal Reserve Bank, Richmond, Va.	1963 1963 1963 1962
	Bank Executive and Staff Development Committee	Federal Wage-Hour Handbook for Banks -1961 Edition	Fall 1961
	Bank Management Committee	Manual on Life Insurance Loans Manual on Drive-Up Banking	Fall 1961 Winter 1961
	BANKING	BANKING'S News Letter	Monthly
	Banking Education Committee	Booklet on bank services for high schools	September 1961
	Committee for Economic Growth Without Inflation	Economic Growth—monograph	Fall 1961
	Committee on Credit Unions	How to Sell On-the-Job Bank Services	September 1961
	Country Bank Operations	How to Set up a Salary Program in the Smaller Bank-1961 Edition	Fall 1961
	Committee	How to Cost Analyze the Smaller Bank— revision of Simplified Cost Analysis for Smaller Nondepartmentalized Banks	Early 1962
		Guide for handling uncollected funds, over- drafts, etc.	Indefinite
		Profit planning (budgeting) guide for smaller banks	Indefinite

of the association at a luncheon on Wednesday, October 11. The Hon. Jessica M. Weis, Member of Congress from the 38th New York District, will speak at the President's banquet on Wednesday evening. Her topic will be "International Finance and the the Building of World Community." Miss Kollman, who is vice-president and cashier, State Bank of Blue Island, Ill., nominee for the presidency, along with other incoming officers, will be inducted into office at a brunch on October 12.

Ingibjorg Bjornsdotti Bergmann, teller and cashier, National Bank

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(Readers are requested not to write in for these items until their completion is officially announced.)

Department	Type of Study	Approx. Completion Date
Credit Policy Committee	Semiannual survey of banker opinion on business and credit outlook Credit Notes Bulletin	December 1961 June 1962 Periodic
Economic Policy Committee	Text materials on Business Forecasting, Money and Banking, and Analysis of Credit Conditions	Spring 1962
	U. S. Balance of Payments-monograph	Late 1961.
Federal Legislative Committee	Banking Legislation in the First Session 87th Congress	Fall 1961
Instalment Credit Committee	Automobile Financing—Dealer Plan Instalment Loans to Small Business Annual study of instalment credit Financing Home Improvement Loans Timely Notes on Instalment Credit	September 1961 Late 1961 February 1962 Early 1962 Periodic
Mortgage Finance Committee	Summary of Requirements for Insurance or Guaranty of FHA and VA Mortgage	October 1961
	Loans The Mortgage Bulletin Handbook for Mortgage Officers The Banker's Role in Urban Renewal Pension Fund Study	October 1961 December 1961 Spring 1962 Indefinite
Public Relations Committee	Additions to PR Memoranda series Additions to Speech Service for bankers The Banker Writes—addition to PR man- ual series The Banker and Politics—PR manual	Continuous Late 1961 Late 1961 Indefinite
	series Your Bank's Relations with Schools—a revision	Indefinite
Research Committee	Trend of Bank Loans Areas for Research in Banking at the Doc- torate Level	September 1961 Fall 1961
Savings Division	No-Passbook Savings Personal Money Management—a revision Methods and Procedures of Computing and Paying Interest on Savings Accounts—a revision	Fall 1961 Fall 1961 Late 1961
	Savings Campaigns Savings—The Bankers' Opportunity	Late 1961 Late 1961
State Legislative Committee	Survey of State Statutes Relating to Dis- position of Unclaimed Funds and Other Property Held by Banks—a revision	Fall 1961
Trust Division	Supplement to Common Trust Fund Hand- book	Early 1962

in Reykjavik, Iceland; Dorothy K. Yamamoto, assistant secretary, Bank of Hawaii, Honolulu; and Hilda Harding, manager; Hanover Street Branch of Barclays Bank, London, will attend from faraway places.

Two post convention tours for delegates have been planned. Many of the

bank women will leave on a 17-day tour which will take them to London, Paris, Rome, and in-between historic European cities.

The second tour will cover the highlights of the beautiful Saint Lawrence Seaway, Toronto, and Niagara Falls.

A.B.A. Alerts Senator Byrd on Self-Employed Retirement Act Defects

Questions Sec. 401 (a) (B) and Sec. 503 (j) (1) in H. R. 10

On behalf of the banks and trust companies of the country which will be charged with fiduciary duties in the management of funds that may be established under the Self-Employed Individuals Tax Retirement Act now receiving Congressional consideration, Cecil P. Bronston, chairman of the Committee on Employees Trusts of the A.B.A. Trust Division, in a letter to Senator Harry F. Byrd, calls attention to defects in H. R. 10.

He pointed up the A.B.A's concern that provisions of the legislation will enable the funds to be managed to the greatest advantage of those citizens that they are intended to help.

Referring to H. R. 10, now before the Senate Finance Committee, headed by Senator Byrd, Mr. Bronston called attention to several disturbing provisions of Section 401(a)(B).

He called attention to the fact that under many pension plans, employees themselves bear a part of the cost of their pensions by the contributions which they make from their after-tax dollars. The proposed Section 401 (a) (B) would serve as a limitation on their right to designate how their own accumulations shall be paid to their beneficiaries.

"If the proposed Section 401(a) (B) were to be enacted as presently written, almost all existing pension and profit-sharing trusts would be disqualified, unless a reasonable period of time were given within which such trusts could be amended and action were then taken to so amend them," asserted Mr. Bronston.

Prefer S. 59 to H. R. 10

Likewise, he referred to proposed Section 503(j) (1) and commented on various provisions that would hamper and restrict administration of trusts.

"It is suggested," he said, "that the provisions dealing with the same subject in S. 59 is preferable and more in keeping with the American spirit."

He said that "the simplicity in approach of S. 59 commends it to

(CONTINUED ON PAGE 102)

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At the A.B.A.'s National Trust School on Northwestern University Campus



Robert G. Howard, secretary of A.B.A. Trust Division and director of Trust School, confers with William C. Bradford, *left*, assistant dean of faculties at Northwestern and associate director of the school; and William H. Pedrick of Northwestern's School of Law, assistant director of the school



Two Japanese Bankers enrolled in the 3-week Trust School as part of a lengthy study of U. S. banking consult with veteran trustman Gilbert T. Stephenson, a member of the school's 85-man faculty and a resident of Pendleton, N. C. Seiichiro Rikimi, Osaka, left, and Yasuo Ohtsuka, Tokyo, right

Eleven women students were among the Trust School's 215 enrollees. Left to right, front row, Margaret B. Williams, The Philadelphia (Pa.) National Bank; Marie H. Harrold, First National Bank, Greensburg, Pa.; Doris R. Kunkle, The Third National Bank, Ashland, Ky.; Ann E. Lauris, Worcester County National Bank, Worcester, Mass. Left to right, rear, Eva W. Barrow, The First National Bank, Birmingham, Ala.; Arlene M. Blewett, Bank of America, Beverly Hills, Calif.; Marjorie L. Taylor, The Midland National Bank, Billings, Mont.; Pauline H. Sterni, North Adams (Mass.) Trust Company; Nora B. Birdsall, First Western Bank & Trust Company, Pasadena, Calif.; Shirley K. Marshall, The Atlantic National Bank, Jacksonville, Fla.; and Jo Anne Valentine, Lincoln National Bank & Trust Company, Fort Wayne, Ind.



NABAC Convention

(CONTINUED FROM PAGE 98)

The convention will be called to order by NABAC's president, Winslow E. Pike, vice-president and controller, The First National Bank of Atlanta.

Subjects receiving special attention at the technical sessions include "The New Look in Auditing"; "Automation Problems and Pitfalls"; "Semiautomated Systems — Two Years Later"; "Uncle Sam Looks at the Expense Account"; and "Developing Executives for Selling Present Day Banking Services."

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288 Women Bankers Sign for NABW Speakers' Bureau Assignments on 54 Topics

The National Association of Bank Women has formed a nationwide speakers' bureau, according to Mrs. Charlsie Leath, Parker Square State Bank, Wichita Falls, Tex. Through its main office in New York the association has available the names of 288 women bankers across the country who will accept invitations to speak on 54 topics.

Bank presidents, directors, vicepresidents, chairmen of the board, cashiers, and trust officers all experienced in various phases of banking and community and public relations will travel anywhere in the United States to speak before groups interested in finance, banking, or money management.

Self-Employed Retirement

(CONTINUED FROM PAGE 101)

the further consideration of all concerned with this legislation."

This bill was introduced by Senator Smathers and follows closely, he pointed out, bills passed by the House of Representatives in the two previous sessions of Congress, but has been modified to take account of certain matters presented in the hearings before the Finance Committee in 1959 and 1960.

On August 4, Mr. Bronston, in his capacity as chairman of the A.B.A. Committee on Employee Trusts, filed a statement with the Senate Finance Committee, supplementing his letter to Senator Byrd.

Mr. Bronston is vice-president, Continental Illinois National Bank and Trust Company, Chicago.

John W. Riday, Jr., Joins BANKING'S Staff As An Associate Editor

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John W. Riday, Jr., has been named an associate editor of BANK-ING Magazine, according to anouncement by Charls E. Walker, executive vice-president of The American Bankers Association.

Mr. Riday came to the A.B.A. from Dun & Bradstreet, New York City, where he was supervisor of the Business Conditions Staff, Business Conditions analyst, and contributing editor of Dun's Review & Modern Industry.

He received his B.A. from Adelphia College in 1951, and an M.A. in 1952 from the New York University Graduate School of Arts and Sciences.

He served in the United States Army in 1952-54, where he was assigned to the Public Information Office of the Headquarters Company of the Fourth Division in Frankfurt, Germany. He wrote for Stars and Stripes, the Army newspaper.

Mr. Riday is an active member of



John W. Riday, Jr.



Carter H. Golembe

the American Statistical Association and the American Economic Association.

Cheseldine to Centennial

Raymond M. Cheseldine, Jr., has been granted a leave of absence from his duties as secretary of the Public Relations Committee of the A.B.A. to devote full time to the post of executive secretary of the A.B.A.'s Centennial Commission.

He will coordinate the Commission's planning for observation of the 100th anniversary of the nation's dual banking system in 1963. The dual system of state and national banks dates from the enactment in 1863 of the National Currency Act authorizing the chartering of national banks by the Comptroller of the Currency.

Carter H. Golembe Moves to Washington Office to Act as Economic Consultant

To increase the effectiveness of The American Bankers Association in its relationships with Government agencies and Congress, Dr. Carter H. Golembe, a member of the Association's Department of Economics and Research, will be transferred to the Washington office of the Association effective September 1. The announcement was made by A.B.A. Executive Vice-president Charls E. Walker.

In Washington Dr. Golembe will be economic consultant to the director of the A.B.A. office. He will relinquish his responsibilities as secretary of the Association's Research Committee but will continue as a members of the economics and research staff.

Dr. Golembe came to The American Bankers Association on April 8, 1960, from Washington, where he had been financial economist for the Federal Deposit Insurance Corporation.

· NEWS ·

Savings Market Statistics Study Published by A.B.A.

IN order to win a larger share of the savings market, banks must develop and evaluate data about their own operations and also gather and analyze information on how their competitors are doing, according to Gaylord A. Freeman, Jr., president of the Savings Division of The American Bankers Association and president, The First National Bank of Chicago.

Mr. Freeman recently announced publication of Statistics on the Savings Market prepared by the Association's Savings Division and its Department of Economics and Research. Copies of the 32-page booklet, featuring two charts and 27 tables of national, state, and metropolitan area statistics, are available from the A.B.A. Department of Printing at \$1.

The introduction to the "national statistics" section of the booklet says:

"Savings held in the form of deposits, share accounts, United States Savings Bonds, and life insurance company reserves increased by a total of \$17.3-billion in 1960. This was the second largest annual increase since the end of World War II....

"The gain recorded by commercial banks in 1960 exceeded that of 1959 but was nevertheless below that of some earlier years. The same was true for mutual savings banks. Only savings and loan associations achieved a record growth of savings in 1960

"Savings held in credit unions and life insurance reserves showed somewhat less growth in 1960 compared

Savings

with 1959, while the amount held in the postal savings system and in United States Savings Bonds declined. But in the latter case it should be noted that holdings of series E and H bonds showed a net increase during 1960 and for the first quarter of 1961. . . .

"Savings held in the form of investment company shares differ in nature from the types of savings discussed above. Changes in the assets of investment companies may reflect changes in both net share purchases and the market value of investment companies' holdings. In 1960, though the stock market declined, total assets of investment companies increased because of more than offsetting increases in net share purchases

"The rate of return paid on savings by the principal financial insti-

· NEWS ·

tutions continued to rise. In 1960, insured commercal banks paid 2.6%, compared with 3.5% by mutual savings banks, and 3.7% by savings and loan associations. . . .

"The turnover rate (withdrawals to average savings) is considerably higher for savings accounts of commercial banks than for the accounts of either mutual savings banks or savings and loan associations. The probable reason is that commercial banks hold more accounts of small savers who may be attracted more by convenience than by rate of return."

The introduction to the "state and metropolitan-area" section of the booklet says:

"Savings and time deposits are becoming increasingly important to commercial banks. In 1960 they constituted 31.6% of total deposits for the average insured commercial bank, contrasting with only 18.5% in 1943, and 25.3% in 1948.

"In every size group and in three-fourths of the states, the average commercial bank holds at least 25% of total deposits in the form of savings and time deposits. Savings and time deposits account for 30% or more of total deposits for over 8,000 commercial banks. Indeed, for over 3,000 of these banks, savings and time deposits exceed 50% of total deposits."

Pupils in 16,900 Schools Have \$227-M in Savings

AT the close of the 1960-61 scholastic year in June, pupils of 16,900 schools in the United States had a total of \$227,052,000 on deposit in banks in school savings accounts, according to C. Arthur Hemminger, chairman, Committee on Savings Development of the A.B.A. Savings Division.

Mr. Hemminger, who is vice-president and public relations director, First National Bank in St. Louis, pointed out that this figure does not account for all school savings in the country since many banks transfer school savings accounts into regular

accounts automatically when the balance on deposit reaches \$5 or \$10.

The annual A.B.A. study of school savings shows that 6,307,000 accounts paid their pupil-savers a total of \$4,853,433 in interest during the year. Seven hundred and forty banks in 43 states are active in school savings. During the school year, 300 of these banks distributed 1,269,650 copies of *The School Saver*, published by the A.B.A. Advertising Department in cooperation with the committee.

Many banks, in addition to those which offer specialized school savings services, cooperate with local schools to encourage thrift and to build a greater understanding of banking by arranging for bank visits and classroom talks, showing movies, sponsoring contests, and distributing material among students.

NYSBA Offers Alternative to Compulsory Withholding

THE Committee on Interest-Dividend Withholding of the New York State Bankers Association has recommended alternatives to the Administration's withholding tax proposals.

"In lieu of mandatory withholding at this time, we would suggest the following alternatives:

"(1) The educational program that was started in 1959 has resulted in more items being reported than ever before. The report of the Commissioner of Internal Revenue to Senator Harry F. Byrd on March 10, 1961 stated that the improvement in reporting, in terms of numbers, was 'particularly among the low- and moderate-income groups . . .' These are the very people who would suffer most from withholding. It is our

It's always easier to have a courageous conviction after you know what the boss thinks.

Now that the elections are over, we won't find any perfect men until the next election campaign.

Nothing shocks most of us so much as finding that we may be wrong.

It only takes one to start a quarrel, but it takes two to keep it up.

A gentleman is a person who offers his seat to a lady when he gets off the bus. view that as this program is continued it will become cumulatively more effective.

"(2) The Treasury Department already has all the necessary information to collect taxes due on dividends. That Department also has all the necessary information to collect taxes on E-bond interest. We urge that the Treasury Department start off by thoroughly policing these two areas. Then as its automatic data processing program is developed along with a system of taxpayer account numbers, it can turn to the remaining areas which may not be presently reported.

"Our association is perfectly willing to have the present limitation of \$600 for information returns of interest lowered by degrees to any practicable minimum amount the Internal Revenue Service may require. t v w iii a iii a a v H H H

"These proposals would result in higher revenues to the Government, would constitute an important step towards closing the 'gap' in dividend and interest reporting without having an adverse impact on the innocent small taxpayer."

C-I Hikes 1861's \$70 to \$3,353.90 in 1961

A MAN walked into the Park Square Branch of the Suffolk Franklin Savings Bank in Boston recently with a tattered and yellowing savings passbook, numbered 52. He told the following story of thrift and tradition:

In July 1861, just over 100 years ago, the owner of the book opened a savings account for \$50. Two months later he put in \$20 more. No further deposits or withdrawals were made over the years.

Since the book doesn't fit into the automatic posting machines now used in banks, the teller brought it up to date by hand. Computations showed the original \$70 had increased more than 50 times through compound interest to a present total of \$3.553.90.

One of the early founders of the Franklin Savings Bank of the City of Boston opened the account at an office at Bedford and Chauncy Street. The passbook, kept in the family as a curiosity, is now in the custody of the original depositor's great grandson. He plans to keep the account as it is.

(CONTINUED ON PAGE 109)

Housing and Mortgages

Industrywide Conventional Market Committee Formed

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POSITIVE action toward the creation of a national market for conventional mortgages has been taken with the formation of a cooperative industry-wide committee to study and draft enabling legislation for introduction before Congress, it was announced recently by Cowles Andrus, president, New Jersey Bank and Trust Company, Passaic, who will serve as chairman of the group. He is also chairman of the Mortgage Finance Committee of The American Bankers Association.

The director of the new committee, which will hold its first meeting in New York on September 25, is Dr. Kurt F. Flexner, director of the Mortgage Finance Committee.

The new committee contemplates the establishment of two private corporations subject to public supervision, for the insuring and the secondary financing of such insured conventional mortgages. (See page 57, August BANKING for details of the plan.)

A.B.A. Mortgage Workshop in Dallas Sept. 10-12

IN order to help commercial banks serve their communities better, the Mortgage Finance Committee of The American Bankers Association will hold its Sixth Regional Workshop meeting at the Statler-Hilton Hotel in Dallas, Tex., on September 10, 11, 12. A program for the three days has been announced by Cowles Andrus, charman of the A.B.A. Mortgage Finance Committee, and president, New Jersey Bank and Trust Company, Passaic, N. J.

The program for the three days follows:

Sunday, September 10

Registration, Mezzanine Floor—3 P.M.; Reception, Junior Ballroom—5:30 P.M.

Monday, September 11





W. F. Keesler

James W. Aston

Morning Session

Presiding, James W. Aston, general chairman, Dallas Mortgage Workshop; president, Republic National Bank of Dallas. Greetings by Mr. Andrus.

"The Mortgage Lending Industry and Future Mortgage Demand," by Dr. Kurt F. Flexner, director, Mortgage Finance Committee, A.B.A., New York; "Commercial Banks and Their Relationship to Mortgage Bankers," by William F. Keesler, senior vice-president, The First National Bank of Boston; and "Why Commercial Banks Should Finance Homes," by Ben H. Wooten, chairman of the board, First National Bank in Dallas.

Luncheon in Ballroom Assembly —12:15 P.M.

Afternoon Sessions, Case Seminars
(1) "Organizing an Efficient FullService Mortgage Department"—23:30 P.M.; (2) "Bringing Money to
Your Community Through Origination, Sales, and Servicing"—3:305 P.M.

Tuesday, September 12

Morning Sessions, Case Seminars

(3) "The Processing of Selected Government Underwritten and Conventional Mortgages"—9:15-10:45 A.M. (4) "Automation as a Means to Greater Efficiency and Profits"—10:45-12:15 P.M.

Luncheon in Ballroom Assembly—12:30 P.M.

Afternoon Session

"The Origination and Servicing of Mortgages—Are They Usefull and Profitable Functions for Commercial Banks?"—Forum moderated by Mr. Andrus.

Panelists: D. C. Sutherland, Member, Mortgage Finance Committee,

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A.B.A.; senior vice-president, Bank of America N.T. & S.A., San Francisco; Howard J. Stoddard, president, Michigan National Bank, Lansing; Aubrey M. Costa, president, Southern Trust & Mortgage Co., Dallas; and Walter C. Nelson, president, Eberhardt Co., Minneapolis, Minn.

Seminar Case Leaders

Coffee R. Conner, vice-president, The Lubbock (Tex.) National Bank; J. D. Francis, president, Mercantile National Bank, Dallas; S. R. Greenwood, vice-president, Temple National Bank; Frank C. Guthrie, senior vice-president, First City National Bank, Houston; Adrian Harmon, executive vice-president, The Citizens Bank, Warrensburg, Mo.; Roger Hawkins. assistant director. Mortgage Finance Committee. A.B.A., New York City; Dewey Jernigan, senior vice-president. The Liberty National Bank and Trust Company, Oklahoma City: William A. Lemke, senior vice-president, National Bank of Commerce, San Antonio; J. Gardner Lile, senior vicepresident, Worthen Bank & Trust Company, Little Rock; J. W. Mc-Carter, senior vice-president, First National Bank and Trust Company, Tulsa; John M. Pickens, vice-president, Union Planters National Bank, Memphis; A. G. Wallace, vice-president, First National Bank, Dallas; and John E. Whitmore, senior vicepresident, The National Bank of Commerce, Houston.

Mortgage Interest Rates Will Remain Firm

EIGHTY-SEVEN percent of the bankers participating in a study of mortgage lending made by the Mortgage Finance Committee of The American Bankers Association believe that mortgage interest rates will remain steady over the next few months. Only 12% of the bankers believe that rates may decline, and a negligible number think that a higher rate may prevail.

The study shows that on May 15 (CONTINUED ON PAGE 109)

September 1961

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20-Year, 6%
Repair Loans
Are Not
Instalment
Credit

Instalment Credit

Where does the instalment credit banker stand in relation to the new long-term, low-interest, Government-guaranteed home improvement loans?

Details of the 20-year, \$10,000, 6% insured rehabilitation and modernization loans remain to be worked out. Regulations, procedures, etc., still must be delineated, and policies left to the discretion of credit grantors. When this is accomplished, many instalment credit bankers feel that this form of home improvement credit will definitely fall into the bailiwicks of their respective mortgage departments. Terms, rates, and the security involved in these transactions, usually a "mortgage" or "deed in trust," place such loans in the category of real estate.

Instalment credit departments may undergo some slight attrition of home improvement paper as a result, but only if dealers and contractors decide to increase the amounts of smaller improvements to bring the total contract above the \$2,500 minimum set for these 20-year 6% loans outside of urban renewal areas.

Instalment credit men must prepare to brief their mortgage departments on practices and credit ratings of home improvement dealers and contractors, which differ somewhat from those of home builders and contractors with whom mortgage men are more familiar.

It is expected that dealers, contractors, and suppliers will welcome the 20-year 6% terms. Since most home improvement loans are indirect, and since a substantial portion is being financed through commercial banks, it is expected that banks will be approached to handle this new paper. It looks as if the instalment credit man's role in this new undertaking will be that of a credit counselor, however, and not that of a credit grantor.

Committee Says: Demands Growing

The three months ending June 30 were marked by increased demands for bank personal loans, automobile retail loans, and home improvement loans, according to the quarterly report of the Advisory Board to the Instalment Credit Committee of The American Bankers Association. Bank loans for the purchase of home appliances continued to be disappointing.

Loan terms have been holding firm throughout all sections of the country, according to the report. New car loans are being held to a maximum of 36 months, with some areas giving consideration to shorter maturities on compact cars.

New Handbooks Available

Timely Manual Released on Auto Dealer Paper

New Neifeld
Book
Deals with
Consumer Credit

AUTOMOBILE FINANCING—DEALER PLAN. American Bankers Association Instalment Credit Committee, 12 East 36th Street, New York 36, N.Y. \$2. An up-to-the-minute handbook for banks interested in indirect auto paper, this is a complete revision of the 1941 handbook published under the same name. If your bank extended auto credit in 1941, you know that operational refinements have been tremendous in this department, just to keep pace with changing markets, techniques, and competition.

Wholesale and retail plans are covered at length, in order to help member banks to a most efficient, safe, and profitable dealer paper operation.

NEIFELD'S MANUAL ON CONSUMER CREDIT. By M. R. Neifeld. Mack Publishing Company, Easton, Pa. 603 pp. \$11, or \$16 in combination with Neifeld's Guide to Instalment Computations. In clear, simple laymen's language, this text discusses consumer credit in relation to our economy and social institutions, and details its economic, social, and operational aspects. It also explores the nature, problems, and point of view of the various consumer credit-granting institutions. Law, insurance, and advertising are among the 24 specific topics covered. Each chapter is followed by suggested exercises or problems for study, classroom, or group discussion use.

CALENDAR, 1961-62

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	An	nerican Bankers Assoc	iation	Sept.	15-16	Fall Meeting of New	
Sept.	10-12	6th Regional Mortga Meeting, Dallas Hilto	on Hotel, Dallas	Sant	24-26	ings Banks, Sun Sugar Hill Kentucky, Brown Ho	
	15-18	87th Annual Conventi		Oct.	8-13	West Virginia Sch Jackson's Mill	
Nov.		30th Mid-Continent Tr Baker Hotel, Dallas,	Tex.	Oct.	11-12	Nebraska, Sheraton- Omaha	Fontenelle Hote
	13-14	10th National Agricultu ference, The Statler	Hilton, Dallas	Oct.	12-14	Connecticut Savings Elizabeth Hotel, M	
	10-11	Committee on Credit Un ton Hotel, Washingt		Oct.	29- Nov. 1	Iowa, Hotel Fort I Moines	Des Moines, D
1962	00 00	14th Matienal Cuadit (Conforman In	Nov.	2-4	Arizona, San Marcos	
	22-23	14th National Credit (Salle Hotel, Chicago		Dec.	3- 5	Southern Secretaries Springs, Ark.	Conference, H
Jan.	28-30	7th Regional Mortga Meeting, Hotel West nix, Ariz.		Dec.	6- 8	Eastern Bankers C fonte-Haddon Hall	
Feb.	5- 7	43rd Mid-Winter Tru					
		The Waldorf Astoria	•	1962			
Mar.	5- 7	59th Annual Savings (tel Roosevelt, N.Y.C	•	Mar.	21-24	Florida, Hotel Robert	t Meyer, Jackson
	26-28	National Instalment ence, The Conrad H	ilton, Chicago	Apr.	25-26	Georgia, The Corsa	ir Motel, Jeky
Apr.	16-18	5th Southern Trust Con Triangle Hotel, Nor		May	2- 3	Ohio, Commodore Pe	
May	13-16	2nd National Mortga Mayflower Hotel, Wa	ge Conference,	May May	2- 4 3- 4	Kansas, The Town Hooklahoma, Skirvin H	
May	16-18	Trust Division, 5th S		May	3- 5	er, Okla. City Alaska, Cordova	
Ť		Conference, Golden 'Norfolk, Va.	Triangle Hotel,	May	4- 8	Maryland, Chalfonte- lantic City	Haddon Hall, A
May :	28-	American Institute of		May	5-8	Louisiana, Jung Hote	el, New Orleans
	June 1 11-22	Dinkler Plaza Hotel, Stonier Graduate Scho	ol of Banking,	May	6- 8	Texas, Hotel Galvez Center, Galveston	and Moody Civ
Aug.	6-24	Rutgers Univ., New I National Trust School, Univ., Evanston, Ill.		May May	8- 9 10-12	Tennessee, Peabody I North Carolina, The	
Sept.	23-26	88th Annual Convention	, Atlantic City,	May	13-15	Pinehurst Missouri, The Chase	Hotel St Louis
		N.J.			16-18	Illinois, Palmer Hous	
Oct.	21-23	8th Regional Mortga Meeting, Hotel Lean	-	-	16-19	New Jersey, Chalfor Atlantic City	
Nov.	12-13		ultural Credit	May	17-19	South Carolina, Oce Myrtle Beach	an Forest Hote
		Conference, Shera Hotel, Omaha, Nebra	aton-Fontenelle		17-19	South Dakota, Shera tel, Sioux Falls	
		State Associations		May	20-22	California, Hotel Del	Coronado, Cor
Sept.	7- 9	Maine Mutual Savings Dixville Notch, N. H.		May	20-23	nado Pennsylvania, Chalfo Atlantic City	nte-Haddon Ha
Sept.	14-16	Massachusetts Mutual S ox House, Manchester	Savings, Equin-	May	21-23	Arkansas, Arlingto Springs	n Hotel, H

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		(CONTINUED FROM PAGE 107)		Other Organizations
May	21-23	Mississippi, Buena Vista Hotel, Biloxi		
May	23-24	Indiana, French Lick-Sheraton, French Lick	July 23- Aug. 12	NABAC Auditors and Comptrollers School, Univ. of Wis., Madison
May	25-26		Aug. 6-18	School of Consumer Banking, Univ. of Va., Charlottesville
May 3	31- une 2	Massachusetts, The Equinox House,	Aug. 20- Sept. 1	Pacific Coast Banking School, Univ. of Wash., Seattle
June			Sept. 11-13	NABAC Convention, Conrad Hilton Hotel, Chicago
June	6-10	Dist. of C. The Homestead, Hot Springs, Va.	Oct. 9-12	National Association of Bank Women Sheraton Hotel, Rochester, N. Y.
June	7-9	Connecticut, The Belmont, West Har- wich, Mass.	Oct. 9-12	Nat'l Ass'n of Supervisors of State Banks, The Dunes Hotel, Las Vegas
June	7-9		Nov. 12-15	Robert Morris Associates 47th Annua Fall Conference, The Diplomat Ho-
June	10-13	Idaho, The Lodge, Sun Valley		tel and Country Club, Hollywood-By-
June	14-16	Montana, Many Glacier Hotel, Glacier National Park	Nov. 26-30	
June	14-16	Vermont, The Equinox House, Man- chester	1962	icana Hotel, Bal Harbour, Fla.
June June		Virginia, The Homestead, Hot Springs Wyoming, Jackson Lake Lodge, Moran	Apr. 2-4	NABAC Eastern Regional, Lord Baltimore Hotel, Baltimore, Md.
		*New Hampshire, Wentworth-by-the- Sea. Portsmouth (New Castle)	Apr. 16-18	NABAC Northern Regional, Abraham Lincoln Hotel, Springfield, Ill.
June :	15-16	*New Hampshire Mutual Savings, Wentworth-by-the-Sea, Portsmouth	Apr. 30- May 2	Independent Bankers Association Pittsburgh Hilton Hotel, Pittsburgh
T	10.00	(New Castle)	May 6-9	- , ,
June : June :		Washington, Chinook Hotel, Yakima Wisconsin, Hotel Schroeder, Milwau-	May 7-9	Seattle, Wash. NABAC Southern Regional, Arlington
June 2	21-23	kee Michigan, Grand Hotel, Mackinac Is-		Hotel, Hot Springs, Ark.
June 2	27-29	land New York, The Monmouth Hotel, and	May 27-30	NABAC Western Regional, Olympic Hotel, Seattle, Wash.
Sept. 1	15-17	Essex and Sussex Hotel Massachusetts Mutual Savings, Hotel	June 20-23	American Industrial Bankers Associa- tion, 28th Institute of Industrial
		Griswold, Groton, Conn. Connecticut Mutual Savings, Moun-		Banking, The Broadmoor, Colorado Springs, Colo.
Oct. 1		tain View House, Whitefield, N.H.	Oct. 14-18	
Oct. 2	21-24	Iowa, Hotel Fort Des Moines, Des Moines *Joint Meeting	Oct. 22-24	

All banking associations are invited to send in dates of their forthcoming meetings for this calendar.

MARCH							
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By the way . . .

There are two kinds of people who don't generally say much — quiet people and those who talk.

A medicine cabinet is a drug store without a soda fountain and sandwiches.

Some men marry for looks, but not the kind they get when they come home late for dinner.

Walking will never become a lost art so long as you walk from where you park to where you are going.

A boy is grown up when he walks around a puddle.

NOTHING TO IT

Those problems which
Annoy the rich,
I find it rather funny,
Are solved for me,
Successfully,
By simply lacking money.
STEPHEN SCHLITZER

Savings

(CONTINUED FROM PAGE 104)

S&Ls Argue on Taxes

CLAIMS by commercial banks that savings and loan institutions do not pay a full share of taxes are "rubbish," David Ford, president of the Savings Association League of New York State, declared recently.

"Bankers attempting to increase the tax load of savings and loan associations are conveniently overlooking and ignoring the fact that earnings of our institutions are passed on in the form of dividends to savers who put their money in this fashion generally equal and in some years exceed the Federal income taxes produced by commercial banks of comparable size," said Mr. Ford.

Mutuals Have \$1-billion Deposit Gain First Half

DEPOSIT gains in the nation's mutual savings banks exceeded \$1-billion in the first half of 1961, more than twice the increase in the first six months of 1960, according to re-

port of the National Association of Mutual Savings Banks.

NAMSB also noted that deposits rose by \$349,000,000 in June, bringing total deposits to \$37.4-billion. The month's increase compares with deposit gains of \$225,000,000 in June 1960, and \$114,000,000 in May 1961.

Deposit experience in the first three months of 1961 was particularly favorable, with record and nearrecord gains reported. In the second quarter, amounts deposited remained high, but amounts withdrawn also reached new levels so that net gains tapered off from previous highs.

Assets of the 515 mutual savings banks reached \$41.8-billion, a gain of \$1.2-billion in the first half of 1961. The increase in the corresponding months of 1960 was \$697,000,000. Almost a quarter of a million additional savings accounts were opened during the 6-month period—150,000 more than a year ago.

Acquisition of mortgage loans continued to be the chief investment activity of the mutual savings banks, with more than \$1-billion added to portfolios since the beginning of the year. Mortgage holdings total \$27.8-billion and represent 66.4% of assets.

Housing & Mortgages

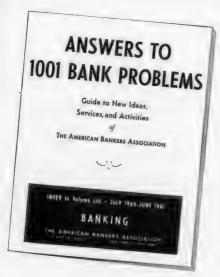
(CONTINUED FROM PAGE 105) of this year commitments for loans were 31% higher than on the same date a year earlier, "indicating a more than seasonal rise in building activity." Permanent long-term

mortgage loan commitments were

11% higher than on May 15, 1960.

The A.B.A. study, which is the fourth since last October, shows that foreclosures of Federal Housing Administration and Veterans Administration mortgages totaling .6 per thousand were 85% greater than for conventional mortgages at .34 during the month of April. The highest number of foreclosures was in the Northeast area, while both delinquencies and foreclosures were generally lower in the West.

An analysis of interest rates reported since August 1960 shows that a substantial drop in rates has occurred in all parts of the country. In May 1961, only 2% of the banks reported interest rates on conventional loans in excess of $6\frac{1}{2}\%$, compared with 13% of the banks in August 1960. In May of this year, 87% of



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the banks were charging from 51/2% to 6%, compared with 51% charging this rate in August 1960.

New Housing Act Permits "Condominium Mortgages"

HOME buyers in the future will be confronted with a brand new term and a new way of financing and purchasing a home. It's "condominium," and although it's a strange term now, as a result of the newly-enacted housing legislation it's likely to become much better known. Under the new law, the Mortgage Bankers Association of America points out, the Federal Housing Administration can now insure a mortgage covering a family-unit in a multi-family structure and the unit will have an undivided proportionate interest in the common areas and facilities of that multi-family structure.

Until the new law, such a plan was not available although condominiums have for some time been popular elsewhere, notably in Puerto Rico and certain Latin American countries. These new proportionate condominium loans will be limited to those multi-family structures which are, or have been, covered by an FHA mortgage and as each individual family unit is sold it would be released from the over-all FHA mortgage. The structures can be new, existing or rehabilitated ones.

The amount of any individual mortgage will not exceed the perroom or per-unit limited set under Section 207 of the National Housing Act or the loan-to-value ratios set under Section 203, the main section of the act. The maximum maturity will be 30 years or three-fourths of the remaining economic life, whichever is less. All provisions applying to interest rate, insurance premium, and method of paying insurance claims that are applicable to mortgages under Section 203 will apply to condominium mortgages. A mortgagor, or borrower, under this section must have acquired a unit for his own occupancy and may not own, for lease or sale, more than three additional units in the structure.

War determines not who is right but who is left.

Then there was the moron who went to a second-hand store to get one for his watch.

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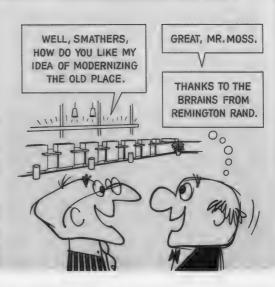
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BANKING

New Books

THE POSTWAR RESIDENTIAL MORT-GAGE MARKET. By Saul B. Klaman. Princeton University Press, Princeton, N.J. 301 pp. \$7.50. The research director of the National Association of Mutual Savings Banks provides a detailed analysis of mortgage holdings and the flow of funds for the post-World War II decade, and describes institutional arrangements and market techniques. There is a discussion of the mortgage portfolio policies of the leading types of financial institutions. A series of interest rates on conventional mortgages can be continued by organizations with research facilities.

DISTRESSED AREAS IN A GROWING ECONOMY. Committee for Economic Development, New York. 74 pp. \$1. Here is the program for elimination of areas of chronic unemployment, drafted by CED's Research and Policy Committee. Among the 16 recommendations is this: "Each Federal Reserve bank should establish a Fed-

eral Reserve Development Corporation to assure adequate financing for sound business ventures and necessary public facilities in distressed areas. It would supplement, and where necessary, provide additional backing for existing state and private financing programs. This method of covering the financial requirements of a local economic development program is to be preferred over the establishment of a new Federal loan agency."

BRITAIN'S FINANCIAL SERVICES FOR OVERSEAS. This 26-page pamphlet, available free from British Information Services offices in New York, Washington, Chicago, San Francisco and Los Angeles, describes London's banking, insurance, trade financing and investment services, and the foreign exchange, gold and commodity markets.

AMERICAN MANAGEMENT ABROAD. By George D. Bryson. Harper, New York. 240 pp. \$5. A management consultant with 15 years foreign experience prepared this "guide to the essentials of making overseas investments profitable."

THE STOCKHOLDER AND EMPLOYEE PROFIT SHARING II—IN LARGE FOOD STORE CHAINS. By J. J. Jehring and B. L. Metzger. Profit Sharing Research Foundation, Evanston, Ill. 47 pp. \$3. A comparative study of the returns on investments in companies with and without profit sharing programs. Vol. I covered large department store chains.

Grants, Loans and Local Currencies: Their Role in Foreign Aid. By Robert E. Asher. Brookings Institution, Washington, D.C. 142 pp. Paper \$1.50; cloth \$2.50. The author sheds light on "some important, controversial and ill-understood aspects of foreign aid." The booklet deals with the theory and practice of granting, lending and selling since World War II.





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Gives pre-calculated interest answers on principal amounts from \$1.00 to \$500,000.00. Shows interest from 1 to 180 days—then by months to 12 months. Interest factors treat both 360 and 365 day basis from ½% to 6% in ½% increments.

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News About Banks

WORLD BUSINESS. Chase Manhattan Bank, New York City, has started a series of ads scheduled for national and international publications. The purpose is to introduce the officers who can serve a customer's or prospect's needs abroad. Color pictures of the men are used, with brief copy pointing their department's qualifications for serving.

LANDMARKS. Citizens Commercial Trust and Savings Bank of Pasadena is using pencil sketches of local landmarks in a new series of monthly institutional ads in the local paper. Reprints of the sketches are offered free. C. H. Dillinger is the artist.

TIME. Garden State National Bank, Teaneck, N.J., has a "Slice of Time" in its enlarged and modernized home. Represented in miniature are 4-billion years of the earth's existence: fragments of rock, minerals, fossils, with plants and water, scaled to one inch equalling 7,000,000 years. The display is the creation of Irvine H. Millgate.

TIME CAPSULE. One in a crypt at the new home of Commercial National Bank, Nacogdoches, Tex., contains tape recordings by leading citizens who comment on important local events. A patio connects the building with the motor bank and parking areas.

TRUST SERVICE. United States Trust Company, New York, has reprinted under the title "Impressions II," several advertising messages highlighting the advantages of using its services. A similar brochure was published four years ago. The ads cover a variety of problems and people.

ART SHOW. A collection of winning paintings from the national amateur art competition sponsored by Motorola, Inc., was shown at the Union Dime Savings Bank of New York this summer. The pictures were chosen from 8,000 entries submitted by artists in 215 cities.



THE POSTWAR RESIDENTIAL MORTGAGE MARKET

By Saul B. Klaman. This first complete, statistically based study of post-World War II residential mortgages provides the most consistent and detailed analyses available of holdings and flows. Presentation on a quarterly basis permits significant cyclical analysis. Thorough discussion of problems raised by institutional arrangements and market techniques. 366 pages.



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Princeton University Press
Princeton, New Jersey



Why the ROBOT couldn't make up its MIND

"If your giant robot is so bright," said the man from the Commercial Loan Department, "I have a million-dollar loan application I'd like to have his opinion about."

"Don't think we're not working on that," replied the Methods Research man. "And if you ever reduce that kind of decision-making to a mathematical formula, we can *teach* the machine how to make your decisions for you. But right now the 'human understanding,' 'foresight' and 'judgment' you use

in lending money-well, those things can't be taught to a machine."

Of course, electronic "brains" are only brains when they're told exactly what decisions to make and under what exact circumstances.

But there are still many jobs they can do within a bank. So ever since 1934, we've been increasing our use of automation to eliminate the drudgery of mounting paperwork. The idea is to give our people more time to use the talents that are peculiar to people: the exercise

of human understanding and vision.

Like every other forward-looking bank, we're always searching for ways to improve our methods and to step up the quality of our service. Our backlog of experience in data processing—reviewed in the perspective of 25 years—turns out to be a substantial story, unique in many respects. Faced as you are with the mushrooming growth of record-keeping and with rocketing costs, you may find that our years of experience will be helpful to you.

BANKERS TRUST COMPANY

16 Wall Street, New York 15, N.Y.



Member Federal Deposit Insurance Corporation

CPA Answers

(CONTINUED FROM PAGE 54)

nual examination." These, said Mr. Savage, are usually ineffective. First, they are conducted by an executive officer on behalf of the directors, and he may be the embezzler. Second, the directors do not have the time or the qualifications to be sure that the examination is adequate, that it covers all assets and liabilities and the necessary operating accounts, and that it is supplemented by a good internal control system which will protect the bank during the period between examinations.

(4) We would like to have an external examination, but cannot afford the cost. Under the guidance of a qualified certified public accountant, an outside examination can be carried out effectively and at a minimum cost by proper utilization of bank employees. These checkups, too, must be supplemented by adequate internal controls.

(5) "A system of internal control is fine for a large bank, but we are

too small to have a full-time person for such purpose." Mr. Savage commended NABAC for its material outlining how, even in a very small bank, an adequate system of internal control can be provided by having one employee act part-time as a control officer, and perform other duties.

NABAC Plans Loss Prevention Clinics

A NATIONWIDE series of "loss prevention clinics," designed to help all banks install sounder internal audit control programs to counteract fraud, is announced by NABAC, The Association for Bank Audit, Control and Operation. The program will start this fall and will be carried into all states.

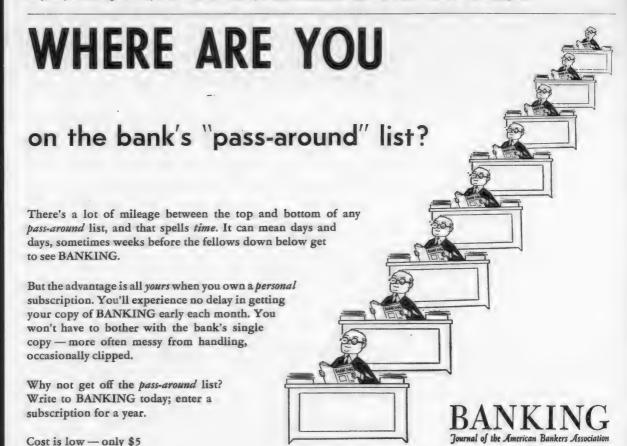
Each clinic will be a one-day meeting covering such points as basic internal safeguards, and controls over assets, liabilities, income and expense. All banks in each area will be invited to send representatives: bank directors and state su-

Manufacturers Trust Completes Data Center

Manufacturers Trust Company of New York has completed installation of an electronic data processing system which will soon begin to handle accounting operations and check handling and sorting. Centralization of the demand deposit bookkeeping at the bank's new center will proceed as rapidly as practicable, says Gilbert Lawrence, director, but more than a year may be required to transfer all checking accounts from the 122 branches. Heart of the system is the IBM 7070.

pervisory authorities will be welcome, too.

The announcement, by Winslow E. Pike, president of NABAC, and vice-president and controller, First National Bank of Atlanta, said the project had been endorsed by the Federal supervisory agencies and by the Federal Bureau of Investigation in Washington.









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institutions everywhere will find this RCA service particularly profitable in speeding the handling of demand deposit accounts and other bookkeeping requirements. With RCA EDP service you'll strengthen your competitive position and get more work done at less cost.

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MICR Printing Specifications

(CONTINUED FROM PAGE 58)

and take over many imprinting operations that otherwise would have to be done manually. A program control unit is set to count the number of sheets per check book, the number of books per cycle, and to direct all the operating cycles of the machine. In our case, we print personal checks five at a time with 25 checks per book. Four books per order is also standard with us and each book has five deposit slips and one re-order blank.

By using the automated program control, each order is completed and collated right on the machine. We have two operators who work together on each run. One sets the machine controls and handles the loading; the other inserts the deposit slips and removes the collated sets from the receiving tray.

The control unit, incidentally, programs a short time delay between orders so that an operator can insert deposit slips. It also automatically cleans the offset blanket and provides image development control necessary to maintain constant signal strength of the magnetic ink characters.

While the consistency of the magnetic ink deposition has eliminated problems of "rub off," we have found it advisable to let the encoded checks dry overnight before cutting, stapling, and binding the checks in a book.

If the order is fcr business checks, an operator can change the offset machine to handle three checks to a page in about four seconds. This flexibility is a real advantage in imprinting several types and sizes of checks for different classes of accounts.

We did not find the problem of magnetic ink check encoding to be formidable. Where minor difficulties were encountered, help from the offset equipment manufacturer was readily at hand. We are still improving our check encoding procedure but the imprinting techniques are pretty we'll established.

We now have 100,000 checking accounts completely converted to the MICR program and handled by computers. At the same time that machines are taking over the bookkeeping, our personal handling of checking account customers is improving because we can now serve more people with the speed and individual attention they have come to expect from progressive banking in this country.



Keep the line moving...

and keep the business!



Waiting customers are impatient customers . . . and some just don't come back. The growing problem of payment delays plague many lending firms, for time lost at the window costs money and friendships.

The new Cummins booklet "Long Lines and Short Friendships" gets right to the core of these hidden

costs and short Friendships gets right to the core of these hidden costs and shows . . . in minutes and dollars . . . how the customer-preferred Cummins Coupon Payment System improves service, simplifies posting, reduces costs and prepares for future automation. The facts about the ease of conversion to automatic accounting are also detailed.

Ask your Cummins Representative for a copy, or write:





"Sure, it's my husband's account, but don't you worry—I'll handle him!"



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Membership in FPRA puts the experience and training of 3,000 members specializing in financial Public Relations and Business Development, at the command of your own PR Director. This "clearing house of ideas" is well established as a most valuable tool for public relations executives of financial establishments.

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Some of the Procedures

A visual test for major deviations



Each character magnified 50 times



Embossment is carefully measured



Transparent gauge checks layout



Oscilloscope tests signal strength



One Way to Test Your Magnetic Ink Printing

THOUSANDS of magnetically encoded checks are examined daily for compliance with tolerances established by The American Bankers Association. It is done at the International Business Machines' check printing evaluation center at Endicott, N.Y., as a free service available to check printers, either directly or through their banks.

Since the facility draws sample batches of magnetically encoded checks from both large and small printers throughout the United States, IBM believes that the center's findings reflect the quality of printing available nationally. The day to day results show that printers have progressed rapidly in their ability to produce magnetic ink encoding within the A.B.A. specifications.

The Aim Is to Help

The primary objective in establishing the evaluation center was to help printers perfect techniques and procedures in this field, and to assist bankers in determining the relative ability and progress of various printers. The center also offers an excellent opportunity to keep abreast of the problems and progress of ink and paper manufacturers and suppliers of testing equipment.

However, no attempt is made to "accept" or to "reject" printing. The purpose of the center is simply to report what is observed and thereby assist printers in meeting the requirements.

Prior to its opening an exhaustive research and investigation was made of the testing procedures of check manufacturers, ink producers, and type and paper manufacturers. This led to the development of a systemized process of inspection for describing the quality of magnetically encoded documents.

During the inspection each printed character on the sample checks is tested for compliance with the tolerances established for each of 12 different specifications. These include: registration, skew, alignment, spacing, character dimension, character edge irregularity, voids, signal level, uniformity of ink film, extraneous ink on the front, extraneous ink on the back, and embossment.

Available to All Banks

The testing services of the center are open to all banks and printers. Banks normally request an evaluation for one of two reasons: (1) To check the quality of printing already being supplied; or (2) to check the capabilities of a number of printers before adopting an automated check handling system. In either event, the bank's initial contact is usually with the IBM representative who will arrange for the names of the printers to be submitted to the center.

Each printer is then sent a test procedure "package" containing an explanatory letter, an outline of the steps to be followed, a sample evaluation report form, a booklet describing the testing process, and authorization forms. Basically, he is asked to submit a series of representative batches of magnetically encoded documents for analysis over a period of time.

While it is suggested that each batch consist of 500 checks, about 50 are selected at random for inspection. The inspection of every document would be ideal, but it would also be extremely time consuming and prohibitively costly. Of course, the risks are carefully measured and controlled in accordance with statistical concepts of sampling.

When the series is completed, the results provide bankers with a yard-stick for evaluating the relative ability of printers or for measuring their rate of improvement. Of no less importance, the center assists the printing industry in meeting A.B.A. specifications, thus speeding the day when automated check handling is an integral part of every bank routine.

Question: "Presidents Bear, Young, and Smith: What's the biggest filing problem in your bank?"







Answer: "Checks!"

These Allentown, Pa., bankers had a common problem...and they came up with the same solution. On the next three pages you'll see how Mosler Selectronic Files answered and solved their problem...improved efficiency...lowered the cost of check-filing.



"Mosler Selectronic Files save us 110 work-hours a week."

"And that's a lot of time and money saved," observes Mr. S. H. Carl Bear, President of The Merchants National Bank, in Allentown.

Time Studies Revealed the Problem— Mosler Selectronics Solved It

"We were concerned about check-filing at Merchants National. Time studies showed we were spending 175 hours a week on check-filing. Since we installed Selectronics we've cut filing time to about 65 hours a week...and this with an increase in daily deposits."

Turning Skepticism into Satisfaction

"At first, we were a little skeptical of what we heard the



Selectronic could do. We visited another bank in Allentown which already had installed Selectronics. When we saw them in operation, we were convinced of their value. And, we weren't wrong—they really do the job."

High Volume Easily Handled

"We expect soon to be handling 12,000 checks a day, in servicing some 15,800 accounts. Sorting, posting, and filing this number of checks *used* to be a mammoth job ... but not any more.

"Now, any of the clerks can handle 1200 checks an



hour...an impossibility with the old manual filing system. And, I've seen as many as 500 statements sent out within a few hours. That's automated progress!

"Clerks who operate Selectronics like them. There's no question about it—they lessen fatigue, and make an otherwise toilsome job proceed much more rapidly and efficiently.

"Selectronics have added check-filing to the list of efficient operations in modern banking here at Merchants National."

With Selectronics Comes Mosler Service

"The Mosler people have given us every assistance and service. They've sold us...and kept us sold, to our great benefit in increased efficiency and savings in time and money."



"With Selectronic, we've all but eliminated the misfiled check."

"Since we installed our Mosler Selectronic File, our percentage of misfiled checks has dropped a good 30%." That's one way Mr. Robert Young, President of Lehigh Välley Trust Company, evaluates Mosler Selectronic in his bank. He goes on to note the resulting increase in check-filing efficiency...with its big saving in time and money.

The "Misfiled Check Problem"

"We process an average of 10,000 checks a day," continues Mr. Young. "Before we installed Selectronic, we had six bookkeepers filing checks manually in steel filing cabinets. Each had to do his own check-filing.

"We used to, and still do, send out three statements a month. Each time, we used to be put to many hours of trouble and work in locating misfiled checks. With 5,300 checking accounts, we decided that procedure was fast becoming outmoded and inefficient."

The Problem Solved-Efficiently

"We installed the Mosler Selectronic File...and all but eliminated misfiling of checks. Not only that, we no longer have to use bookkeepers for check-filing. Now, we have *one* file clerk whose job is to file checks and match them to outgoing statements.

"This one clerk can finish her job in four hours...filing about 10,000 checks a day, plus getting statements ready

for mailing. I would say the Mosler Selectronic is at least 90 or 100% more efficient than our old system. Needless to say, that represents a great saving in time and money."

Selectronic Aids Entire Banking Operation

"The increased filing efficiency helps our other departments, too. Selectronic not only lessens employee fatigue and speeds up the filing operation, but also reduces cleri-



cal errors and streamlines our bookkeeping operation by taking away the filing burden."

"Special" Help-Part of Mosler Service

"Mosler representatives have been most cooperative. They not only helped us in setting up the Selectronic, but, in addition, helpfully suggested a more efficient filing system than we were formerly using...a new cardindexing system. Now, that's real service!"

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"Mosler Selectronics
put our 5-bank
check-filing system
at two girls' fingertips."

"Every day, 14,000 checks must be filed at First National Bank," says Mr. Paul Smith, President of this Allentown bank. "Mosler Selectronic Files have made it easy...and inexpensive.

"First National of Allentown consists of the Main Bank and four branch banks. Our bookkeeping system—including the check-filing operation—is centralized at the Main Bank. In servicing some 23,000 checking accounts, we must file about 14,000 checks a day. Mosler makes it a simple, 2-girl operation. Our two Mosler Selectronic Files put our entire 5-bank check-filing system literally at the fingertips of the two girls."

Selectronics Work With Electronic System

"Before we used Selectronics, filing was done manually, using cabinets. We reasoned that it doesn't make sense to have an electronic check-sorting system that works in a flash end in an archaic file system that takes hours. So, we installed Mosler Selectronics for automatic, streamlined operation. *Not once* have we had any trouble with them...and the girls love them. They're easy to operate,

save hours and hours of time, and cut way down on misfiling. It all adds up to a great gain in efficiency and a saving in money."



Modern Equipment for a Modern Bank

"We're a fast-growing bank, serving the state's thirdlargest industrial center—the Lehigh Valley. Mosler equipment has played a very important part in First National's growth. Mosler studied our needs and helped us develop a smooth-running operation. Mosler's name has been well-known over the years...and they've certainly given us fine service."

Problem Solving—A Mosler Specialty

From the largest bank vault to the smallest safe deposit box, Mosler design and manufacturing experience are at your service. For more information on Selectronic check-filing services, write Department 6 of The Mosler Safe Company.

The Mosler Safe Company
320 Park Avenue, New York 22, N. Y.

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on or ba

On-the-Job

(CONTINUED FROM PAGE 62)

counts to be credited, the amount to be deposited in each account, and a check for the sum of these deposits.

The Motives

Some banks have looked upon the development of on-the-job services as an effective counter-action to the mushrooming growth and spread of credit unions. To a large extent, the CUs have been successful in their activities not because they can serve their members better than could a bank, but because their services have been more convenient.

Reasoning that a good offense is the best defense, banks have created one or more on-the-job services in order to carry bank-quality and bank-caliber services to people-onpayrolls at their place of employment. These services offer the same convenience as credit unions but more privacy.

Many banks recognize that people-on-payroll constitute the largest single market for retail banking services (deposit accounts, instalment loans, safe deposit services, etc.). One way to make them bank customers is to carry the bank—at least its services—to them . . . where they work, where their economic life is centered, and where "going to the bank" becomes simply a matter of signing a card, completing a form, and dropping an envelope into a slot.

The Market

It has been estimated that about three-fifths of the nation's work force of about 70,000,000 people receive regular salary or wage payments from corporate employers. To the extent that commercial banks can process and retain a significant share of this dollar stream, totaling hundreds of billions of dollars, their future in providing retail banking services is secure.

By serving this same market, credit unions in the United States have amassed assets of more than \$5.5-billion. During the last decade, their assets have increased about 450% (compared with an increase of 61% in the assets of insured commercial banks). Credit union membership now exceeds 12,000,000 people. There are now over 20,000 credit



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unions in the country. Should their present rate of growth continue throughout the 1960s, there will be by 1970 more credit union offices in operation than banking offices of all types. This is what one competitor has done within a market which is essentially a banking market . . . if banks will serve it.

Other agencies have experienced similar success by providing financial services to people-on-payrolls within the framework of their job relationship. The payroll savings plan of the Treasury Department has been tremendously successful over a 25-year period in selling war and Savings Bonds. So have the group life and health insurance plans which are made available by most companies to their employees. These are on-the-job financial services, too, and they have worked.

Making the Grade

Why have some banks been disappointed in their programs? Only a careful evaluation by each bank of its plans, its efforts, and its techniques will give the exact answer.

- Keep in mind that an impressive number of banks have had success beyond their expectations with various forms of on-the-job services. Several of the nation's most prominent banks have obtained excellent results from on-the-job services. For competitive reasons these banks are not broadcasting their success. All in all, there have been far more successes than failures.
- The banks that have been successful have worked hard on their programs. This is no field for a one-shot effort or a half-cocked plan. As with most other bank services, on-the-job programs must receive continuing promotional effort. Customers must be motivated and educated to using the facilities provided and it will take time for the plan to "catch on."

Much Enthusiasm Needed

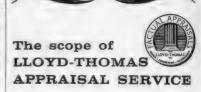
● In the field of on-the-job services, banks are usually competing against credit unions and other agencies which have been active within a company or industry over a long period of years. The people responsible for operating these agencies give their sustained attention and overlook no opportunity to build business. A bank must be prepared

(CONTINUED ON PAGE 128)





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On-the-Job

(CONTINUED FROM PAGE 126)

to put into its on-the-job program the same measure of interest and energy that its competitors apply to their programs.

Plan Your Intended Results

• It is important to determine in advance what results you want to get, and to plan how and where to get them. This calls for a careful review of the companies which are prospects for your on-the-job service. Simply getting passive permission to install a rack of folders or to offer a payday savings plan isn't enough. You need the active, interested support of company management and supervisors in a joint effort to bring better financial service to the company's employees.

Payroll Services Most Profitable

• While racks and other forms of merchandising bank services produce worthwhile business, especially personal loans, the potential value of accounts and deposits resulting from payroll processing or payroll deduction types of savings plans is far greater. However, a rack program and payroll-connected services are mutually valuable companion pieces. A rack installation can be an effective first step toward securing a payroll processing or savings plan, and payroll services help open a large market for convenient credit services through a rack. Of course, the best on-the-job program is a complete program, employing display racks, payroll processing, and a system of regular deductions or automatic transfers to employees' savings accounts.

Base Service on Triangle

Banks can do a job with on-thejob banking services. Many have . . . others will. In each case where a good job is done, centered on the triangle of a company, its employees, and its bank, the lasting results are sure to be good banking, good business, and good employee relationships.

We like to watch westerns on television because the hero always finds a place to park in front of the bank or post office.



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Mergers

(CONTINUED FROM PAGE 51)

the merger is blocked, "it would be another evidence that Philadelphia is just a small town, as far as banking is concerned," said a former executive of Rohm & Haas.

Several of the witnesses described it as unsatisfactory having to deal with several banks for a single loan. Instead of dealing with one set of lawyers, they find themselves dealing with four groups, multiplying the possible objections. Sun Oil Company, its secretary-treasurer told the court, repeatedly must go to New York for money and receives an average of one call a day from out-oftown banks offering money.

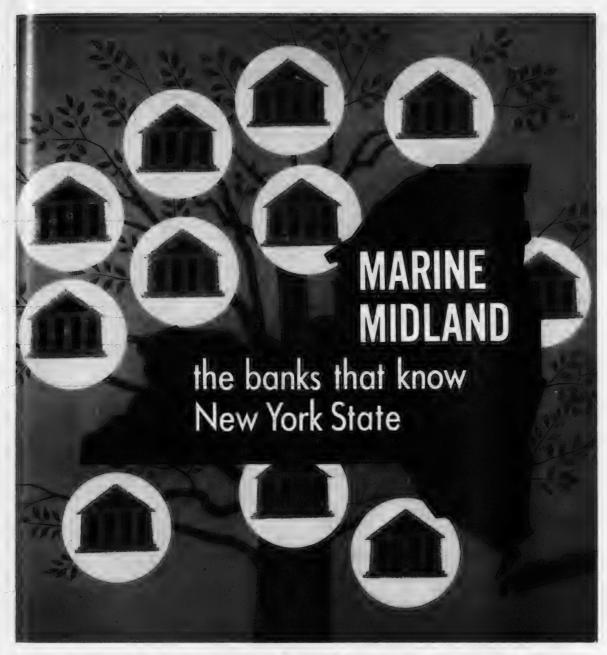
More Witnesses

The Pennsylvania Power & Light Company in a deposition from its headquarters in Allentown, Pa., reported that of the company's outstanding bank loans of \$35,000,000 last year, New York and Pittsburgh banks accounted for \$32,500,000. A University of Pennsylvania professor emeritus of finance. W. Carlton Harris, in a deposition denied that the merger would cause undue concentration of banking in Philadelphia. Even with the merger, Philadelphia "comes rather low down the line of banking concentration in reference to other large cities," he held.

Professor Harris testified that diversification and attraction of larger deposits will make it possible for the merged bank to enlarge its scope of lending to big borrowers without reducing the scope of its lending to small ones. Its increased strength will, in certain cases, enable it to take greater risks than many small banks feel able to take in the small business field, he held.

The proposed PNB-Girard merger was supported in court by the heads of three Philadelphia area banks: Broad Street Trust Company, First Camden National Bank & Trust Company, and Industrial Valley Bank & Trust Company. In their testimony these bankers said the merger would cause no harmful effect of any kind. One held: "Other people's mergers have done us good." Another declared: "Philadelphia has been awfully good to me and my family for 200 years and I hate to see it become a second class city."

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Pension—Insurance

(CONTINUED FROM PAGE 50)

policy of the retirement plan contributions, the designation of the trustee varies from state to state. For example, in Missouri it is a high ranking association official; in Michigan, Nebraska, Texas, and Wisconsin it is one or more of the member banks of the state association; while in still others, as in Iowa, Maryland, and West Virginia, it is a large bank in some other state.

Although in Ohio no statewide pension plan has been adopted, the Ohio State Bankers Association has repeatedly recommended that each individual bank set up its own plan. In one of these recommendations Belford P. Atkinson, executive manager, explained: "Various banks prefer different provisions as to eligibility, percentages of pay, participation in costs, etc. A retirement-pension system cannot be standardized like the group life insurance and hospitalization plan. . . . Great strides have

been made in the pension field by the trust companies, insurance companies, and by individual funds in recent years. These sources can tailor a plan to the desires of practically any firm."

Profit-Sharing on the Rise

Attempting to increase job incentive among employees even more, a few associations have adopted deferred profit-sharing plans, where eventual distribution of funds is usually made to the participant or his beneficiary after retirement. Other associations have combined this with the more conventional type of retirement plan, where employees still contribute a fixed percentage of their salaries.

In such plans the individual bank's contribution, of course, comes from profits, with the amount depending on annual profit levels. Two states that have set up deferred profit-sharing plans or combination plans are California and Michigan, while Louisiana and North Dakota have recommended a plan of this sort, and Oregon is now investigating one.

Group Life Insurance

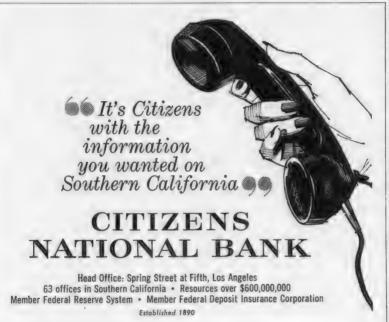
The greatest number of state association group life insurance plans now in operation were initiated within a few years following the close of World War II, with Kansas, Michigan, and West Virginia among the first. But more recently many of these plans have been modified, or additional ones have been offered to the employees of member banks.

The large majority of state association group life insurance plans require that the member banks guarantee a certain high percentage of employee participation before they can become eligible. This rule is more widespread among insurance plans than it is among pension plans.

Generally, every full-time employe is eligible and no medical examination is required, provided application is made within about one month after employment. The insured employee in practically every program is permitted to change the name of his beneficiary at any time.

The dollar amount of coverage varies quite a bit from state to state, but it is usually based on different salary classifications, with a maximum ranging from \$3,000 in Arkansas to \$30,000 in Oregon.

(CONTINUED ON PAGE 134)



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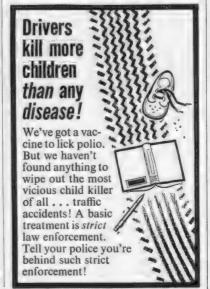
129th CONSECUTIVE QUARTERLY DIVIDEND

On August 24, 1961, the Board of Directors declared the following quarterly dividends, payable Oct. 2, 1961, to shareholders of record Sept. 8, 1961:

45 cents a share on Common Shares. \$1.00 a share on Preferred Shares.

Paul Gerden, Secretary

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(CONTINUED FROM PAGE 132)

Most of these group life insurance plans include coverage for accidental death and dismemberment, and payment to the beneficiary is usually about the same as for the life insurance, except perhaps in the case of dismemberment, where the compensation depends on the nature of the injury. This coverage is usually written to include accidents which occur both on and off the job.

Medical Programs

Along with the group life and accidental death and dismemberment insurance, most state banking associations offer hospitalization, surgical, and medical insurance, where again no medical examination is required if application is made within a certain time after the employee starts working for the member bank. Two states, Connecticut and Utah, reported that they offered medical coverage, but no life insurance.

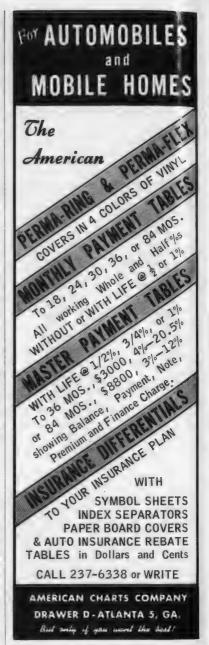
These benefits vary quite a bit from plan to plan, but they usually provide for payment of part or all of hospital room and board; hospital, physicians', and nurses' fees; and in many cases doctors' fees outside of hospitalization. There is, however, always a maximum amount that the patient will receive.

Major Medical

In addition to the basic hospitalization, surgical, and medical benefits, many associations have set up major medical expense programs, which provide extended coverage for disabilities and prolonged and more expensive medical attention. After a certain deductible amount, this plan provides for such benefits up to a maximum, ranging from \$5,000 in New Hampshire and Washington up to \$15,000 in New Jersey and New York.

The importance of a major medical plan was described by Harmon S. Boyd, chairman of the pension and insurance committee of the Savings Bank Association of Connecticut: "The plan... is designed to meet the need for protection against the catastrophic costs of a serious illness or injury. It supplements, rather than replaces, the existing hospital and surgical benefits... it is a progressive development in the field of group insurance." Major medical plans are gaining in popularity, with the

(CONTINUED ON PAGE 136)





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Maine Bankers Association the most recent to offer a program.

As with the retirement programs, the matter of employee contribution to the group life and medical insurance plans varies from one state association to another, with some leaving the decision with each member bank itself. In most states that have adopted the basic hospitalization and major medical plans, there is coverage for the employee's dependents, usually defined as spouse and children under 18 or 19 years old. The Georgia association plan also provides coverage for unmarried children age 19 through 22 who are regularly attending school and depend solely upon the employee for support. In Connecticut the husband of a female employee is at no time considered eligible for coverage as a dependent.

In some associations, such as Ohio, Oklahoma, Tennessee, West Virginia and the Maine Savings Banks Association, where there is no employee contribution for the employee himself, he must contribute for his dependents, or, in a few states where he does contribute for himself, the amount is greater for the dependents.

Insurance for Officers

Some associations have plans that provide somewhat different coverage for member bank officers and for association officers, although directors are usually not covered. This is especially true of the dollar amount of coverage in the group life and medical insurance programs. In Indiana, Minnesota, and South Dakota there is an entirely separate plan for member bank executives.

Besides some sort of regular group life insurance, at least three associations, Massachusetts, New York, and Ohio, have drawn up group credit life insurance programs which, upon the death of the employee who has contracted instalment debt, pay off the unpaid balance up to a certain maximum amount.

This growing awareness of the importance of employee benefits by state banking association officials is well illustrated in the words of Frank N. Gans, executive manager of the West Virginia Bankers Association: "Frankly, if I have contributed anything to banking . . . I believe it would be my efforts in selling our association and banks on employee fringe benefits."

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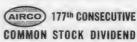
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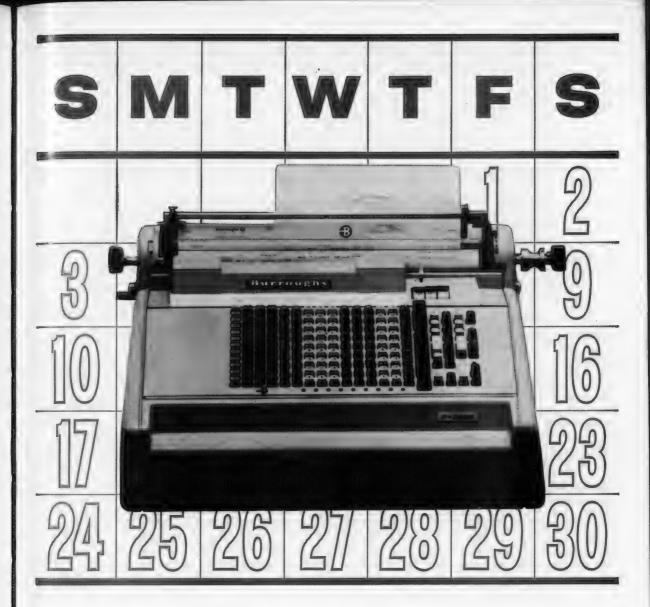
Company, Incorporated



The Board of Directors has declared a regular quarterly dividend of 62½¢ per share on the Common Stock of the Company, payable on September 5, 1961, to holders of record on August 18, 1961.

July 26, 1961.

T. S. O'BRIEN, Secretary



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A Two-Week Visit with a Bank

PAUL G. CRAIG

Dr. Craig is professor of Economics and research economist in the Bureau of Business Research, Ohio State University, Columbus.

FTER nine years of teaching economics, with emphasis on business cycles and national income theory, I was invited recently to become professor of money and banking at Ohio State University. I felt that I was familiar enough with monetary theory to teach at least a basic course in money and banking, but, since this had not been my major field of interest, I knew I had much to learn about all of the dayto-day functions of banks.

As a teacher I also felt it necessary to inform my students of the career opportunities in banking. As is well known, these opportunities have changed radically in the postwar period. I wanted to see first-hand what our graduates are doing in banking, how rapidly the bright ones advance, and how challenging it is.

By chance Everett D. Reese, president of City National Bank and Trust Company, heard of my interest in this. He immediately extended to me an invitation to spend a couple of weeks in City National with key personnel in every aspect of the bank's operations. That I did.

I spent my days going over loan applications and doing statement analyses with the senior loan officers, analyzing investments, discussing trust department matters, poring over computer center plans with the cashier, reviewing loss and collection experience in the instalment loan department, visiting branches, reviewing the planning process relative to prospective branches. I appraised real estate with the mortgage department, reviewed the money position daily and "participated" in the decision to buy or sell Federal funds. Top management discussed with me the policies and plans of the bank with great candor. Their forecasts, their budgets, and their performance were reviewed with me.

Here are some of the questions I had in mind before my visit, which were answered: When are loans made and not made? . . . What criteria is used in analyzing a borrower? . . . What is the policy on loan portfolio with respect to the various classes of borrowers? . . . What is the reason for the current percentage of assets in loans? . . . How important is liquidity in formation of the investment policy? . . . Does investment portfolio absorb money left over from loans or does it compete with the lending policy for funds? . . . What are criteria for prime rate customers? . . . What of relation of loan to individual who carries account at different bank? . . . Will this bank meet competitive rates on loans of large borrowers of out of town Columbus banks? . . . Why do

banks traditionally have a low deposit to loan ratio?

I am deeply thankful for such an opportunity and wish that all money and banking professors could share my experience. My teaching should be better, my research ideas are broader, and my understanding is deeper. I am especially aware of the delicate and pervasive role judgment plays in all phases of banking.

I am thankful to the officers of City National Bank for taking so much time and being so patient with me. They are good teachers! I recommend the experience to others wholeheartedly. I also feel that I can in good faith encourage my better students to seek the challenges and excitement of a banking career.

Schedule of Dr. Craig's Visit to The City National Bank & Trust Company of Columbus

Time	Subject			
Monday, July 10				
9:00- 9:30	Introduction			
9:30-10:30	Instalment Loan Application			
10:30-12:00	Instalment Loan Interview			
1:30- 2:30	Instalment Loan Policy			
2:30- 3:00	Instalment Loan Collection			

SDAY, JULY II		
0-12:00	Mortgage	Appraisa
0-3:00	Mortgage	Lending

WEDNESDAY,	JULY	12			
9:00-12:00			Commercial	Loan	Operation
1:30- 3:00			Commercial	Loan	Analysis

THURSDAY, JULY 13	
9:00-10:00	Review of Loan File
10:00-11:30	Bank Money Position
1:30- 3:00	Review of Loan File

Review of Loan Policy
Bank Money Position
Review of Loan Policy
Use of Correspondents in Lending

-			
Loan	Policy	in	Operation
Invest	tments		

Invest	Investments					
Bank	Money	Posi	tion			
Trust	Investr	nent	Policy			

Review

FRIDAY, JULY 14

MONDAY, JULY 17

TUESDAY, JULY 18 9:00-10:00

9:00-10:00

10:00-11:00

11:00-12:00

1:00- 2:00

9:00-12:00

1:30- 3:00

10:00-11:00

11:00-12:00

9:0

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Banks Urged to Plan for Emergency

"Survival cannot be guaranteed merely with a capacity for reprisal. Equally important is our ability to recover. This means staying power and endurance beyond that ever before required of this Nation or any nation."— Dwight D. Eisenhower

THE gravity of the international situation has prompted Secretary of the Treasury Douglas Dillon to issue a new warning to bankers that they should accelerate emergency planning "... to provide for operational continuity of our banking system in the event of an enemy attack upon the United States."

In his 1-page memo to the Federal Reserve, FDIC, and the Comptroller of the Currency, Secretary Dillon restated the position the Government has held since the Office of Civil and Defense Mobilization issued the Defense Mobilization Order I-20 in February 1956. This order directed the Federal Reserve, with the cooperation of the FDIC, to ". . . develop national security preparedness programs relating to the operation of the banking system."

Out of this directive grew the two committees which Mr. Dillon mentioned in his memo, the Advisory Committee on Commercial Bank Preparedness and the Banking Committee on Emergency Operations. These two committees developed a series of seven manuals on emergency planning and in 1958 began distributing them to all commercial banks.

Hoping to set an example for its member banks, the Federal Reserve

banks hurriedly set up emergency planning departments and designated alternate locations where duplicate records are sent daily. They also broke the various Reserve districts into "local geographical areas" and appointed certain commercial banks to act somewhat as little Reserve banks in case the main Fed couldn't function. If the occasion arises, these designated banks could clear checks and even distribute currency.

Room for Improvement

The reaction of commercial banks to the example set by the Fed has hardly been as enthusiastic as the Federal authorities wish. In fact, at the last count only about 6.6% of all banks have a preparedness program; however, this small percentage holds about 60% of the country's deposits, which implies that the big banks have taken the lead in planning.

Innis D. Harris, coordinator of defense planning at the Federal Reserve Board, has stated that the Board is encouraged by the fact that each year commercial bank participation in the program has increased about 15%. He added that he doubted "... if there is any industry, other than banking, composed of

14,000 independent entities which has a preparedness program covering $60\,\%$ of its capacity."

Secretary Dillon may have had the recalcitrant banks in mind when he stated, "At the very least, a financial institution must be able to reconstruct its records if the original records are destroyed or unavailable. It is, therefore, imperative that our banks establish an independent means of reconstructing their assets and liabilities and their account relationship with customers, in order to furnish surviving or successor management with sufficient information to continue operations."

The apparent unwillingness of commercial banks to set up emergency programs has placed the Federal Reserve in a dilemma, since it is well aware that many of its plans will go down the drain unless most commercial banks participate. Some officials believe that it might be best for the Federal Reserve to set up record centers for all banks and require them to submit such records. However, this would mean more Government interference, which the Fed doesn't want, and, secondly, the cost would be monumental.

"Participation by individual banks in the operational continuity program is, of course, purely voluntary," Mr. Dillon stated in his memo. However, for those banks who might use this statement to get off the hook, the Secretary said, "It should be obvious that unless positive measures are taken by all members of the banking community to assure adequate records protection, the entire governmental program for the operational continuity of the Nation's banking system in the event of attack would be in jeopardy."

IMF Meeting

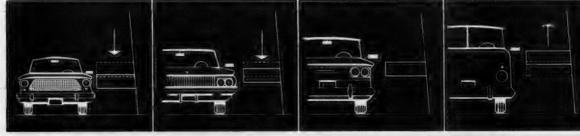
(CONTINUED FROM PAGE 52)

future. There is not and will not be enough gold, in his view, to keep pace with the growth of world trade and national economies. Therefore, he would make over the IMF into a world central bank, empowered to regulate the volume of international liquidity, just as, in this country, the Federal Reserve is intended to function. Like the Fed, Prof. Triffin's IMF would create monetary units as

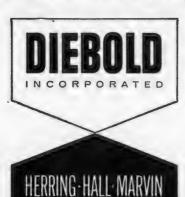
substitutes for gold. His IMF would be strikingly similar to the Clearing Union and its "bancors" proposed during the war by the late John Maynard Keynes, the British economist.

Prof. Triffin is aghast at the haphazard way in which world reserves are increased through inadequate new gold accretions and at the dangers of the present unorganized goldexchange standard, typified by the present immense foreign short-term claims against our gold. He believes that national currencies should not be used as international monetary reserves. The Yale professor would have the IMF return present member capital subscriptions. Instead, each IMF member would be required to keep with the IMF an agreed portion of its gold and foreign exchange reserves. These deposits the IMF would guarantee against exchange risks. IMF deposits would be fully usable internationally in lieu of gold and would earn interest. The IMF would be able to create additional deposits by lending to members.

(CONTINUED ON PAGE 142)



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C. ALLAN FEE,
Vice President and Secretary

August 4, 1961



(CONTINUED FROM PAGE 140)

Persuasive though Prof. Triffin's arguments may be from the standpoint of logic, the world is hardly more ready today than it was in Keynes' day to form a supra-national bank to create world money. Thus, A.C.L. Day of the London School of Economics writes: "There is good reason to be alarmed about the political implications of an international central bank in the absence of an international government; to have international bureaucracy with the power to initiate open market operations in member countries . . . or to determine the pattern of world exchange rates . . . would give an immense degree of power to a small group of men with no direct responsibility to any electorate."

Quotas Integrated With Working Reserves

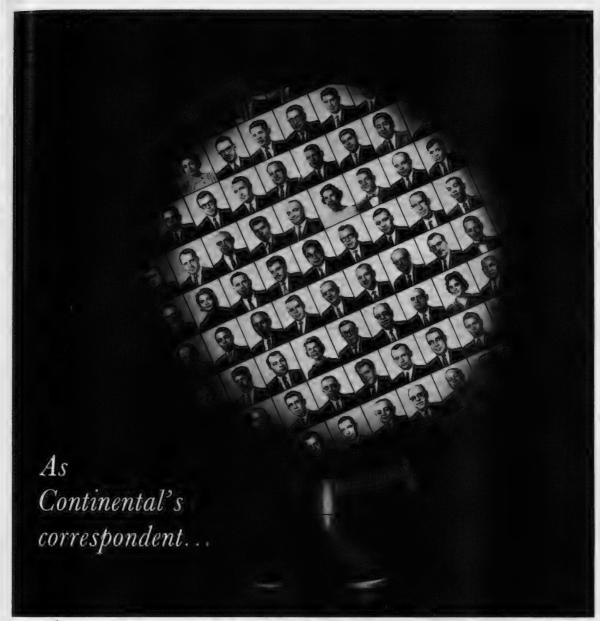
Mr. Bernstein would not tackle the long-run question of adequate reserves. Existing reserves are adequate for the present, he holds, and the best means of meeting future needs for reserves is through the IMF. However, to give countries quotas in the IMF as designed at Bretton Woods is not enough, he now contends, if drawings from the Fund are to be hesitant and conditional. Fund quotas should be integrated with their working reserves and drawings of 25% of each member's quota every year should be an unqualified right, provided such drawings are used along the member's own reserves.

He wants all members, including the U.S., to draw on the Fund regularly whenever they need to use reserves, and not only in an extreme crisis. In this way, the immense resources of the IMF will fully function as a part of the free world's monetary reserves.

Big Change in IMF

As for the effect of capital movements on reserve centers—chiefly the U.S. and U.K.—Mr. Bernstein would make a big change in the IMF. Whereas at Bretton Woods it was feared, particularly by the U.S., that the Fund's resources would be drained if permitted to be used to finance capital movements, Mr. Bernstein proposes a major role for the IMF in this area.

Without rewriting the Bretton (CONTINUED ON PAGE 144)



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(CONTINUED FROM PAGE 142)

Woods Agreement, he suggests the creation, within the IMF, of a subsidiary institution, a Reserve Settlement Account. Membership would be open to any IMF member country. The Account would lend currencies for capital or current transactions. It. would enter into prior agreement with any members to borrow their currencies for these operations. against interest-bearing notes denominated in the currency of the lender and carrying a gold guaranty. The lending country could use the IMF notes before maturity to buy any currency needed for balance of payments purposes.

Under the Bernstein Plan, should there recur a hot-money flow from here to Germany and elsewhere, as happened in 1960, with an attendant tendency of gold to move abroad, the IMF, invoking a previous agreement with Germany or other countries, would borrow the currencies concerned and lend them to the U.S. Confidence in the dollar would be maintained. Thus, the hot-money demand would be quickly appeased without a gold outflow.

Integration of Quotas

Despite past Fund policies on members' use of their quotas. Mr. Bernstein reports, from his contact with IMF officials, that within a few years we shall in any case see a gradual integration of Fund quotas with members' reserves. Much can be done by interpreting the Articles of Agreement anew. By the same token, it is possible that the functions Mr. Bernstein proposes for the Reserve Settlement Account can be performed without creating that new IMF subsidiary. In either case, the number of member currencies which the IMF would have occasion to borrow would be limited. The big capital movements largely trans-Atlantic, involve the currencies of the U.S. and Canada; the U.K., Germany, France, Italy, Switzerland and other western European nations: and Japan. Of these, only Switzerland is not an IMF member.

In addressing the UN's ECOSOC this year the IMF's managing director declared the time as now ripe for the Fund to borrow, adding: "We may have to use a variety of different methods. The most appropriate . . . seems to be the conclusion of a net-

(CONTINUED ON PAGE 146)



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A thumb in a dike . . . a lantern in a church steeple — these are memorable little things that embellish and become important to history and folklore.

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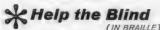




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(CONTINUED FROM PAGE 144)

work of standby arrangements with the main industrial countries, under which the Fund will be able to use the increased amounts of their currencies . . ." This differs from the Bernstein Plan only in that a separate Account would not be created. It is taken to mean that the lawyers have found a way around previous reading of the restrictions imposed by the IMF's statute on IMF lending to finance capital movements.

At Vienna the IMF membership will be informed of the results of staff and board deliberations on this whole question. Whether detailed proposals will be presented, ready for adoption, we do not know. As we write, work is still proceeding. Whenever a program is ready, it will be up to the several governments concerned to adopt enabling legislation, authorizing treasuries or central banks to enter into standby loan agreements with the Fund. By present signs, these loans will be temporary, will entail interest payments, will carry a gold guaranty and will be automatic in application. In our own case, legislation by the Congress will be needed.

System Under Study

The system under study is formal, in contrast to the central bank improvisations at Basel last winter in support of the pound sterling. Under that arrangement, it appears, various central banks, particularly the Swiss, agreed to hold sterling temporarily instead of demanding its conversion into gold or harder currencies, with its exchange value guaranteed against the effects of any devaluation. Even the more formal arrangement now under study, it should be remembered, would be intended to come into play only to bridge over periods of temporary difficulties arising from sudden capital movements. If a country experiences a heavy and continued loss of reserves as a result of its pursuing faulty economic policies, it will be unable to earn the means of paying off its borrowings from the IMF.

In short, what is now being proposed is a means of support for key currencies, whenever they may be temporarily subjected to a heavy outflow of reserves under a system of currency convertibility. It is not a solution of all currency problems for all time.



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For the Building Scrapbook

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The Citizens and Southern Bank, Albany, Ga., is a copy of the governor's mansion in Williamsburg, Va. Air-conditioned throughout, the new building contains 32,000 square feet of floor space

Englewood (Colo.) State Bank drive-in "patio bank" has three drive-in windows and two walk-up windows. The new drive-in is connected to the main bank across the street by an underground two-way pneumatic tube which transfers items in only eight seconds



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As Junior Officer my pay
Is puny, but to be quite truthful
At my age I enjoy the way
The "Junior" sounds so fresh and
youthful.

IRENE WARSAW

You are not a dynamic person simply because you blow your top.

A great many people mistake opinions for thoughts.

Confidence is the feeling you have before you understand the situation.

The best known popular sport today is running into debt.

When you smoke in bed, the ashes that fall on the floor may be your own.

Some people reach for the stool when it's time to move the piano.

Memory is what makes you try to remember what you forgot.

There are two kinds of conceited people—those who admit it and the rest of us.

". . . and a pound of nickles, a half



No one writes fiction as well as the weather man.

A friend in need is a frequent occurrence.

If both sides of an argument make you laugh, you are either stupid or broad-minded.

WHEN YOU KNOW YOU'RE NOT FORGOTTEN . . .

On the first of the month, with the bills pouring in,

I'm hounded and harried and haunted,

But I have to admit that I'm cheered quite a bit

By the feeling that somehow I'm wanted.

STEPHEN SCHLITZER

The wonderful thing about a dull party is that you can get home early.

As Confucius say, taking line of least resistance often make men and rivers crooked.

The United States has a very large corn crop this year, at least on TV.

Sometimes we long for the good old days when we were young and knew everything.

Machines are almost human now because they can do things without using intelligence.

DOWN TO EARTH

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Just what do they mean

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Today this approach is paying off. An IBM 1401-1412 MICR* System is already processing special checking, check credit, and savings, and is well into regular checking accounting. Within a matter of weeks, conversion of demand deposit accounting will be completed. Installment loan, commercial loan, and trust accounting will be next, and are now in advanced stages of programming.

As an example of this data processing system's capabilities: it completes daily savings accounting in less than 10 minutes—a job that used to take 3-5 hours.

To help Bank of Delaware speed its system into profitable operation, an experienced IBM Field Team worked closely with bank personnel. Supporting services included programming as-

sistance, library programs, systems planning, classes for operator and management personnel, plus thorough pre-installation testing.

Your local IBM Banking Specialist can show you how IBM Systems have solved the problems of banks large and small. He can help you select a system to meet your particular needs.



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Here's one from Virginia banker THOMAS R. WIRSING, JR., sent to Dr. Kurt Flexner, head of the A.B.A. Mortgage Finance Committee.

Dear Dr. Flexner:

I, as many other bankers, am greatly concerned over legal inequalities that prevent my bank from competing on an equal basis with savings and loan associations, not only on mortgage servicing procedures, but in actual procurement of real estate loans.

As we all know, national banks must maintain separate accounts for money escrowed to pay real estate taxes and fire insurance premiums on properties on which banks hold conventional, FHA, or GI loans. Savings and loan associations, as we also know, may apply the escrow portion of their mortgagors' total periodic payment to the reduction of loan principal. They may pay real estate taxes or fire insurance premiums when due, and at that time increase the principal of the borrower's loan by the amount paid.

This gives savings and loan associations these advantages which a bank does not have:

(1) the time and expense for maintaining and servicing separate accounts is eliminated.

arate accounts is eliminated; (2) savings and loan customers have the advantage of seeing all excess escrow funds automatically reduce the principal amounts of their loans and over-all interest charges by speeding the loans maturity. Another definite competitive

Another definite competitive advantage permitted savings and loan associations is that they may lend an amount greater than that the appraised value of the property will justify, provided this overage is placed in a share account at the association and held as extra security until the loan principal is down to the amount required by the association.

If banks were permitted the same privilege, many loans could be made which are now lost to savings and loan associations. Also, many of these accounts would, as in savings and loans, remain in the bank's depositary resulting in a growth of time deposits.

The disparity in limits on conventional mortgage loans places the bank in a noncompetitive position, too. The ability of banks to make a 25-year conventional

mortgage, rather than keeping under the 20-year limit now imposed, would stimulate this part of their portfolios and curtail their need for Government insured and guaranteed instruments.

I feel that legislation correcting

this unfairness to our banks deserves the financial fraternity's support.

Thomas R. Wirsing, Jr.
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IDEAS

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This department is compiled by Ethel M. Bauer of Banking's staff. Mention in this column does not constitute endorsement by the American Bankers Association.

AMPLIFONE is a cordless, self-powered, transistorized telephone holder. It eliminates phone juggling while talking or listening. Both hands are free to make notes, look through pa-



pers, etc. It also saves time holding the line while waiting for an answer. Volume control knob regulates loudness of voice for group telephone conversations and can be talked into from a distance up to 10 to 12 feet. It is small, portable, nothing to plug in or install. Four ordinary flashlight batteries give up to 500 hours of use. Bell Industries of California, 532 Sixth St., San Francisco 3.

A magnetic stamp rack called Stampost is available in 12", 18", and 24" lengths from Delta Distributors. To convert old or new rubber stamps to Stampost use, simply press the tacks, furnished with the kit, into the side or head of the stamp. The lifetime magnets, enclosed in the bar-like case of nontarnishable chrome, holds them in place. Catalog sheet in color furnished on request by writing to 20 E. Elizabeth Ave., Linden, N.J.

A rood and water survival kit capable of sustaining one person for 14 days in an emergency situation is now being marketed by Surviv-all, Inc.



The emergency-pak meets the specifications for survival as prescribed by the Office of Civil and Defense Mobilization, and has a shelf life of from three to five years. It is also for use by boat or airplane owners, persons living in hurricane and tornado belts, and in any natural disaster where food and water might be critical for a few days. A brochure is available, free, on request from Surviv-all, Inc., 515 Madison Ave., New York 22, N.Y.

A NEW, compact floor maintenance machine that scrubs, picks up dirt and cleaning solution, and squeegee-dries floors has been introduced by Clarke



Floor Machine Company. The new machine cleans an 18" swath and operates on battery power, offering quiet, odorless, fumeless operation. Full information on the scrubber-vac may be obtained by writing to Div. of Studebaker-Packard Corporation, 30 East Clay Ave., Muskegon, Mich.

A NEW line of compact, moderately priced facsimile communication equipment has been introduced by American Facsimile Corporation. Called Amfax, American's facsimile system is designed to provide even the very small business or industrial firm with a practical and affordable means for instantaneous transmission and for the receipt anywhere in the country of important data and mate-



rial in the exact detail and form in which it was sent. For further information, contact the company at 160 Coit St., Irvington, N. J.

BOOKLETS

A SAMPLE copy of PB Post, a quarterly bulletin of postal information and human-interest items about mailing, is available on request to Editor, PB Post, P.O. Box 741, Stamford, Conn.

A 4-PAGE illustrated folder, describing the company's recently introduced Consecutor automatic office copying machine, is now available from Photek, Inc., P.O. Box 1553, Providence, R.I.

A NEW brochure, For Better Business Control, outlining the applications and specifications of the medium-scale Honeywell 400 computer is now available. Write to Minneapolis-Honeywell Regulator Company, Electronic Data Processing Div., Wellesley Hills 81, Mass.

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Digest of the Business Outlook

(CONTINUED FROM PAGE 35)

TRANSPORTATION. Airlines' lagging traffic rose sharply in June to 3% above June 1960; but still far below normal growth. This will be another low-profit year. Draft build-up will mean more transport business, including military contracts for airlines. Railroads should do better this September than last; but first seven months lagged, so, in total, 1961 may not equal 1960. Ultimately, defense spending will help RRs.

AUTOS. Outlook bright. Production of 1962s has begun. Some new models shown this month. Cleanup of 1961s has been orderly; some inventories may have to be rebuilt. Commerce Dep't still sees 5.8-million car output. No effects from defense build-up as we write.

HOME EQUIPMENT. Starting July, factory sales and shipments have bettered 1960 in most lines. But retail business lagged through summer. Still no "real activity" there. The 1960 housing census shows 86% of homes have TVs, 91% radios, 62% washing machines, 30% dryers, 16% home freezers.

STEEL gets no immediate impact from defense program. When it comes, will be handled in stride. Scare buying is no

factor. Auto industry buying delayed by chance of a strike. Over-all, the next four months should be good.

ALUMINUM industry feels 1961 will prove better than 1960; expects a fourth-quarter pickup. Exports are down, but total shipments will be up. No big push from defense is seen.

PAPER, pulp, and board production and consumption had moderate uptrend in first half; 1961 will be another good year, more than 2% above 1960. Many plant improvements will lower costs. By fall some defense spending effects will be felt.

FOOD. Increasing public demand for services is reflected in more restaurant facilities, as in connection with motels; and more dining out. Means more "institutionalized" packaging of foods and more restaurant equipment sales.

RUBBER has been doing better. Seasonal rise in replacement tire sales. Increased military ground forces will mean more trucks, trailers, tires. Business in 1961 should top slightly 1960's.

COAL'S improvement hasn't met early summer expectations, but industrial demand should improve now. Defense strengthening will take more coal. Army is now sending American coal to Germany, rather than ship gold.

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J. E. BRYAN
President of the
Union Trust Company
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BANKING



The OUTLOOK and CONDITION OF BUSINESS

(CONTINUED FROM PAGE 33)

projected on top of a recovery taking place from natural causes, it could very easily produce boom results that would have bad after-effects.

This banker says, in effect, that after a mild recession and a period of wholesome dollar stability, we are again following policies that could produce wage-price increases and a serious reduction in the purchasing power of the dollar. Furthermore, our domestic policies seem to ignore the serious consequences of the critical international balance of payments deficit, which has not been solved.

Main Effect: Over-all National Gain

From the Far West comes this comment: "This approved budget includes funds for expanding certain programs in which the principal industrial firm in this area is involved," and it will likely directly benefit some other local firms." Mostly, however, the effect he looks for will be simply a reflection of the over-all national development. The step-up in defense expenditures assures that the pace of the recovery which has been under way for some months will continue to be brisk.

Psychology Plus Inflation Threat

Another banker in the South recognizes the psychological impact, mentioned above. He thinks that psychologically the defense build-up will undoubtedly have some observable effect on his area. The prospect of increased Federal spending, and its stimulating (if artificial) effect on the general economy, is bound to color the thinking of businessmen and consumers on the short-range outlook. Moreover, the prospect of increased Federal deficits has its inflationary implications, particularly since there seems to be no inclination on the part of the Administration to curtail expenditures in nondefense areas. This combination of prospects will tend to stimulate inventory accumulations, capital outlays, consumer purchases of durable goods, and business activity generally. The effect will be, in his own area this year, a tendency toward increased credit demands, higher interest rates, increased employment (already high in the area), and increased business profits and personal income.

Favorable Effect for Industrial Area

A mid-Western banker, in an industrial area, expects a favorable effect on business generally because of the heavy-goods production in his neighborhood. He says, "Banks expect an increase in the demand for funds in the coming year as corporations increase their production, inventories, and receivables in response to increased governmental and private demands for goods and serv-

ices. In addition to a greater demand for bank loans, Federal, state and local government and corporate borrowing in the capital markets could increase in the last half of this year. The higher aggregate demands for both long and short-term funds suggest at least moderately higher interest rates in the months ahead."

It Depends on Where You Are

The importance of geography in the economic pickup is illustrated by a statement of Addison H. Reese, president, North Carolina National Bank, Charlotte, North Carolina, who states: "The President's recent message announcing the defense build-up can be expected to increase business activity generally, and all indications are that the Carolinas will share fully in the improving business climate. The national deficit envisioned by the accelerated program does not appear great enough to cause wide economic maladjustment. In North and South Carolina there is some evidence of anticipated increases in textile output as a result of stepped-up military procurement. Important individual industries directly connected with military work will probably feel some pressure for a more immediate expansion of activity."

We're Groggy with Billions

Our keeping-up-with-the-Khrushchevs is leading us to new spending frontiers, whatever else we may find on that well-publicized distant horizon.

Already the temporary debt limit has been raised to a bargain-counter \$298-billion. Perhaps an even \$300-billion would have shocked the customers. However, they seem to be beyond shocking, for all too little outcry has been made against the nondefense splurge of Federal handouts.

It was about 30 years ago that some of us saw the word "billion" for the first time outside astronomy books. We've been seeing it more and more ever since, like a bad habit, with less and less realization of what it means.

Of course, the GNP will reflect all this Government spending and our rosy appearance will be taken for boom suntan instead of deficit fever.

While, for the nation's defense, we can justify a program of "orbit-now-and-pay-later," we shouldn't try to make a pork barrel look like an Atlas missile.

WILLIAM P. BOGIE

One aspect of the "Soaring Sixties" is shown in this cartoon by Robinson in The Indianapolis News





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